

Department for Employment and Learning

Resource Accounts

For the year ended 31 March 2006

*Laid before the Houses of Parliament
by the Department of Finance and Personnel
in accordance with Paragraph 36 of the Schedule to the
Northern Ireland Act 2000
(Prescribed Documents) Order 2004*

31 October 2006

*Laid before the Northern Ireland Assembly by the Department of Finance
and Personnel under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001*

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DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Contents	Page
Annual Report	2
Departmental Remuneration Report	27
Management Commentary	37
Statement of Accounting Officer's Responsibilities	41
Statement of Internal Control	42
Certificate and Report of the Comptroller and Auditor General	45
Statement of Parliamentary Supply	48
Operating Cost Statement and Statement of Recognised Gains and Losses	49
Balance Sheet	51
Cash Flow Statement	52
Statement of Operating Costs by Departmental Aims and Objectives	53
Notes to the Departmental Resource Accounts	54
 Annex 1 – Detailed Report on Departmental Performance Targets	 88
Annex 2 – Report on PSA Targets	94
Annex 3 - Comments	96

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

ANNUAL REPORT

Scope

Departmental accounting boundary

These accounts refer to the activities of the Department for Employment and Learning (the Department or DEL).

Departmental aim

The aim of the Department, as identified in its 2005-08 Corporate Plan, is:

‘To promote learning and skills, to prepare people for work and to support the economy’

Departmental objectives

The Department’s objectives are:

- Promoting economic, social and personal development through high quality learning, research and skills training.
- Helping people into employment and promoting good working practices.

Principal activities

The principal activities of the Department are:

- The funding of higher, further and adult education, student support and other matters related to tertiary education;
- The provision of a comprehensive range of training and employment programmes and of services related to the labour market.

Bodies outside the Departmental boundary

Public Sector bodies not consolidated in these accounts for which the Department had lead policy responsibility are:

- Enterprise Ulster (a public corporation).
- Ulster Supported Employment Limited (a company limited by guarantee).

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

- Construction Industry Training Board Northern Ireland (a statutory training organisation).
- Labour Relations Agency (a non-departmental public body).

Pension liabilities

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (Northern Ireland) and are therefore not reflected in these accounts but in the accounts of that scheme.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

FOREWORD

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I am pleased to introduce the Department for Employment and Learning's Annual Report, which highlights our main achievements during 2005-2006.

Performance against our targets was excellent, with most being achieved within deadline and significant progress made against the others. Of the 57 performance targets in the Service Delivery Plan, only 3 were not achieved, and this was for reasons outside the direct control of the Department.

Providing individuals with the skills and qualifications required by employers continued to be a key theme running through the Department's work this year.

A new Skills Strategy and Implementation Plan entitled "Success through Skills" was published in February 2006. This was produced following the consultation process on the draft Skills Strategy, which was launched in November 2004. The Skills strategy seeks to provide an over-arching framework for the development of skills and aims to help people progress up the skills ladder and to improve competitiveness and raise productivity in the local economy.

Also in February this year, the Secretary of State launched the Skills and Science Funding Package, one of three new cross cutting funding packages, as part of the 2006-08 Priorities and Budget process. The Department was given lead responsibility for its delivery. We have worked with other key departments to draw up detailed proposals for actions/activities to be taken forward – worth £35m over the next two years.

During the year we continued the work, which began in the previous year, on implementing changes to the way we operate with a view to achieving greater efficiency. This was also a year which saw significant changes in senior personnel, with my appointment and the appointment of two new directors, Nuala Kerr and June Ingram. Since the year end Greg McConnell has joined as the new Deputy Secretary.

The Department continued to integrate all aspects of equality, and other policy proofing considerations, into its policy and decision making process and ensured that its programmes and services were evaluated and monitored in line with our Section 75 equality considerations.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

In what has been a very busy and productive year I want to express my appreciation to staff at all levels, whose continued commitment and hard work has enabled us to respond to the many challenges and demands placed upon us all and make significant progress on a number of points.

A handwritten signature in blue ink, reading "Aileen McEnaney".

Permanent Secretary

INTRODUCTION

Our Purpose

The Department is one of the key channels through which the Northern Ireland Executive is working towards a vision of a peaceful, inclusive, prosperous, stable and fair society.

It is responsible for third level education, training and a range of employment measures, all aimed at giving people the skills, knowledge and opportunities to work and protecting their rights.

Our Values

The values of equity, efficiency and effectiveness underpin the Department's delivery of the commitments in its Corporate Plan. The Department will focus on its key priorities, will seek to provide a first class service to its

customers in an impartial way will strive to improve continually as an organisation and will motivate, develop and value its staff.

Our Aim

To promote learning and skills, to prepare people for work and to support the economy.

Our Objectives

To promote economic, social and personal development through high quality learning, research and skills training; and

To help people into employment and promote good employment practices.

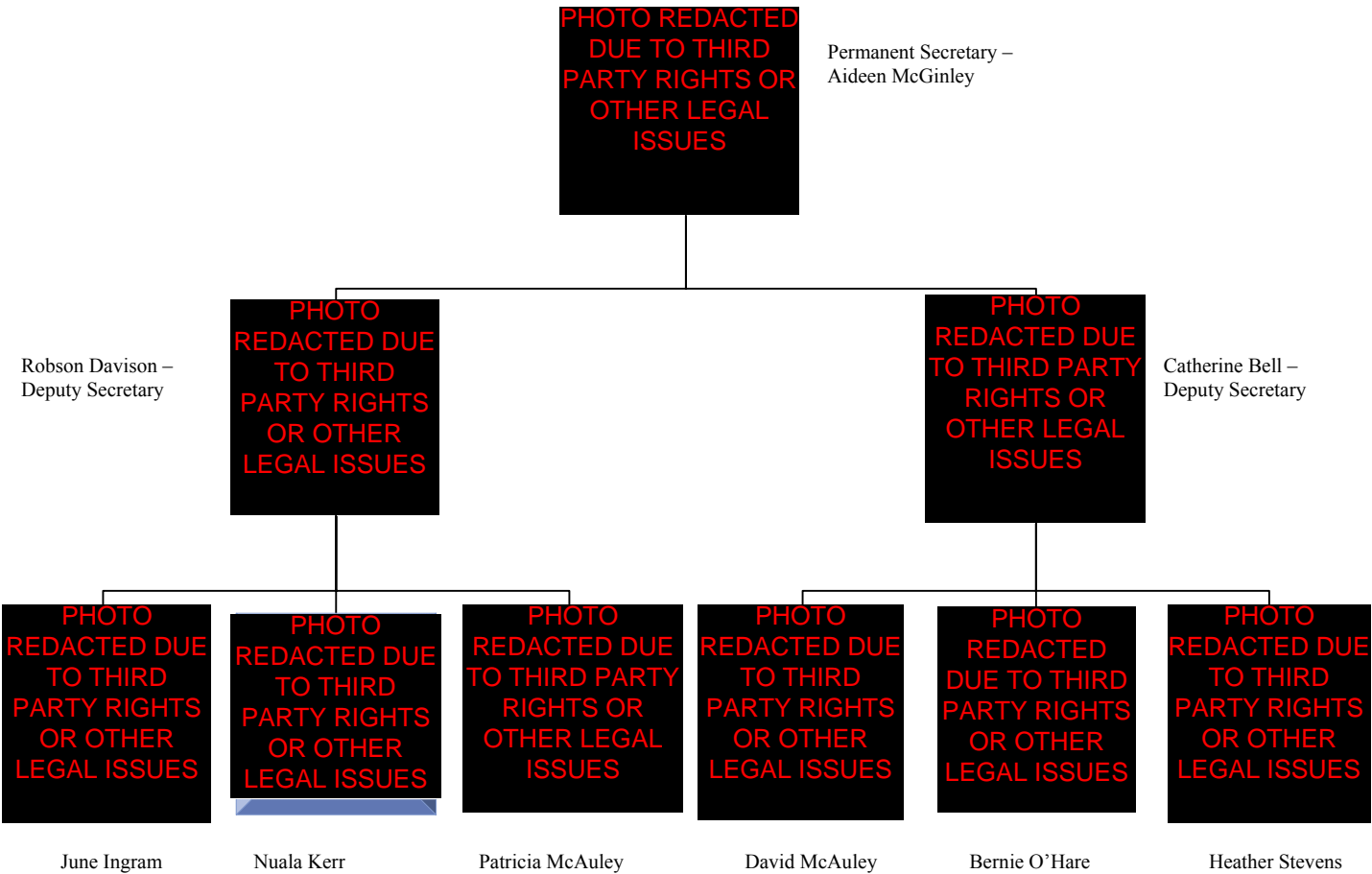
**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

DEPARTMENTAL STRUCTURE

The Department is headed by its Permanent Secretary, Aileen McGinley, who is the Accounting Officer and is responsible for advice and guidance to the Minister with responsibility for the Department. The co-ordination of policy, advice and governance oversight is managed through the Departmental Board. The Board is chaired by the Permanent Secretary and comprises the senior

management team, an Assistant Chief Inspector of the Education and Training Inspectorate, and two non executive directors, Mr Fred Gray and Mr Bill McGinnis. The Audit Committee of the Board is chaired by Fred Gray.

The Departments activities are managed through the Senior Management Team:



During the year the Department employed 1,762 staff in all grades (which equates to 1,622 whole time equivalent staff). This includes 256 Social Security Staff who transferred into the Department during the course of the year as a result of joint working initiatives. In the course of the

year the Department undertook a review of its effectiveness in the use of staff resources and has contributed to the drive for greater efficiency. The Department's commitment to staff development continues to attract IIP recognition.

**HIGHLIGHTS OF OUR SERVICE
IN 2005/06**

The Departments 4 key areas are:-

- **Enhancing the provision of learning and skills**
- **Increasing the level of research and development**
- **Helping people to acquire jobs**
- **Developing and maintaining the framework of employment rights and responsibilities**

The following paragraphs highlight some of the important developments which have taken place in each of these four areas of activity.

More details are in the Departmental Corporate Plan 2005-08.
(www.delni.gov.uk)

ENHANCING THE PROVISION OF LEARNING AND SKILLS

Skills Strategy

Ensuring that individuals have the right skills relevant to future employment opportunities is one the key drivers to achieving the Economic Vision for Northern Ireland and the implementation of the Skills Strategy for Northern Ireland is the main vehicle through which this will be delivered. In November 2004 the Department launched a draft strategy for consultation and highlighted the need to focus on: raising the skills of the current workforce, enhancing the knowledge base of those entering the workplace and, addressing the employability of those not in employment. Taking the consultation responses into account a revised Strategy and Implementation Plan entitled “Success Through Skills” was published in February 2006. This document sets out how the

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Angela Smith addressing the Skills Conference in February 2006

Department, along with its partners, will take forward the vision for skills in Northern Ireland and includes sixteen projects and strands grouped into the four broad themes of :

- understanding the demand for skills;
- improving the skills levels of the workforce;
- improving the quality and relevance of education and training; and
- tackling the skills barriers to employment and employability.

It also incorporates four underpinning strands of communication, research, analysis and enhancing funding and performance measurement. While the Strategy describes a vision of the NI economy in 2015 and envisages a 10 year timeframe for the full effects to be realised, the initial focus for delivery is for a period of 3 years, at which point the implementation plan will be refreshed, programmes evaluated and progress towards achieving the vision assessed.

Skills and Science Funding Package

The Skills and Science funding package, launched by the Secretary of State in February 2006, is one of three new cross cutting funding packages established by the Secretary of State as part of the 2006-08 Priorities and Budget process.

DEL is the lead department for the funding package and has worked with other key departments to draw up detailed proposals for actions/activities to be taken forward over the next two years. Total funding of £15m in 2006/07 and £20m in 2007/08 has been allocated.

The overall objective of the Skills and Science Funding Package is “to enhance investment in skills and training

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

programmes for employment for young people, to tackle economic inactivity, increase the skills of the working age population and improve the science base to compete more effectively in highly skilled international markets and to complement this with targeted investment in research and development and promoting greater links between industry and the research base”.

This objective will be achieved through the development and implementation of programmes which are categorised under three broad themes:

- Preparation of young people for the future;
- Exploitation of research; and
- Support for people getting back to work.

Programmes are now underway to deliver improvements in each of these areas not only in DEL but also in DE, DARD, DSD and DETI.

Management Development

The Department supported the Management and Leadership Network to produce the Management and Leadership consultation document, ‘Leading – the way’. For the first time, this initiative brings together the Private, Voluntary and Community Sectors and the broader Public Sector to identify their main challenges and associated management and leadership issues. The feedback from this consultation will inform and guide the creation of an agreed strategy to be published later in the year as part of the DEL Skills Strategy.

Management Development continued to play a leading role in raising awareness,

promoting world-class best practice and advising on future policy for Management Development. During the year the Department directly assisted 270 managers to improve their skills levels and obtain relevant qualifications through the Management Leadership and Development Programme. 270 graduates engaged in the range of Entry into Management (E2M) programmes offered by the Department. These included the Business Education Initiative (BEI), Graduate Management Internship Programme (GMIP) and the NWIFHE Employability Pilot. Key delivery changes during the year included the phased transfer of BEI to the British Council and the introduction of the Internship Programme, designed to provide the key E2M skills demanded by businesses whilst encouraging industry to take the lead in developing management skills in new graduate employees.

More than 1000 Investors in People in Northern Ireland

The Investors in People Standard continues to play a key role in the promotion of workforce development in Northern Ireland and is a key element of the Department’s Skills Strategy. Underlining the success of the Standard, the Northern Ireland Investors in People Quality Centre surpassed its 1,000 Investor in People employer during the 2005/06 financial year. Available since January 2005, the new version of the Investors in People Standard offers Northern Ireland employers even greater opportunity for business improvement through the development of workforce knowledge and skills.

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LiPAward from the Minister

Skills for Business Network (SfBN)

The need to improve our skills performance in Northern Ireland is fundamental to enhanced productivity, competitiveness and economic success and the Skills for Business Network has a major role to play. The Network, comprising the Sector Skills Development Agency (SSDA) and a network of Sector Skills Councils (SSCs), is now fully established with a total of 25 SSCs now representing their respective sectors throughout the United Kingdom. As the SSCs now become established and consolidate their presence in Northern Ireland they have commenced a programme for developing Sector Skills Agreements which will clearly identify the skills needs and gaps within their respective sectors and culminate in an agreement between employers, Government, and a range of education and training providers, to ensure these skills needs are met. The SSCs will play an important role in the delivery of the Skills Strategy and will be the definitive representative voice of employers in Northern Ireland.

Jobskills

Jobskills continues to be the Department for Employment and Learning's primary vocational training programme for young people. Through the programme, all 16 and 17 year olds, not in full time education or employment, are guaranteed the opportunity of a training place. The programme meets the mixed abilities and needs of the young people in the target group through three distinct but inter-linked strands; Access, Traineeship and Modern Apprenticeship.

The NVQ achievement for the Programme meets our PSA targets calculated on the basis of leavers as follows:

- Of 4975 leavers from the Traineeship strand 2002/03 cohort, 2778 achieved a NVQ as at end of March 06, representing a 56% achievement.
- Of 3067 leavers from the Modern Apprenticeship strand 2000/01 cohort, 1207 had achieved a NVQ level 3 as at end March 06, representing a 39 % achievement.

The Public Accounts Committee (PAC) report on the Jobskills programme was highly critical of many aspects of the programme and its handling by the Department. The Department has accepted the recommendations in the report and in its Memorandum of Reply to PAC, has committed to a number of significant changes. This includes working towards the closure of the Jobskills Programme from the end of March 2007 and, following consultation with interested parties, replacing it with a new Training Programme from the beginning of April 2007. This programme will form one strand of provision for 14-19 year olds, and

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

will deliver the Government's training guarantee for young people.

Further Education

The Further Education (FE) Sector are key deliverers of the Skills Strategy and wider Economic Vision for Northern Ireland to create a world class workforce.

FE Strategy

The "*Further Education Means Business*" strategy outlines the vision for the FE sector. It positions FE at the heart of lifelong learning in order to strengthen economic and workforce development, to enhance social cohesion and to advance individual's skills and learning. During 2005/06 major steps were taken towards implementing the FE strategy. A formal programme of thirteen projects was established at the start of the year including curriculum issues, support provided to employers, learner access, funding, re-structuring the sector and college governance. A Programme Manager has been appointed to co-ordinate delivery of the projects managed using the PRINCE II methodology. The Manager will report to a senior management Programme Board.

A major enabling milestone was achieved when the Minister for Employment and Learning, Angela Smith, announced the new structure for the FE sector on 6th September 2005. This decision was taken following the publication of an investment appraisal and consultation with key stakeholders, including college governors, college staff, political representatives and trade unions. Under the new structure, the existing sixteen FE colleges will merge into six larger area-based groupings. Colleges are currently working on the practical arrangements to merge and it is envisaged that this process will be completed by the 2007/08 academic year.

The structure will create six large, influential colleges with multi-million pound budgets enabling the provision of leading edge facilities which can better meet the skills and educational needs of individuals and employers. The six-college structure will also ensure effective implementation of the wider FE Strategy and will improve co-ordination and collaboration across the sector.

The rationalisation of the sector requires the Department to make changes to the existing governance arrangements for colleges. Agreement has been reached with the Office of the Commissioner for Public Appointments on the guidelines for the re-constitution of college governing bodies and a timetable listing key milestones has been drafted. The process commenced in March 2006, and it is the intention to have the new Chairs and Governing Bodies appointed by January 2007.

Cultural Diversity/Good Relations

During 2000, a Working Group, widely representative of the FE sector produced a good practice guide for FE Colleges, to address and advance cultural diversity issues within the FE sector in Northern Ireland.

Following the completion of this work, the Department issued a draft Cultural Diversity Working Document, formulated from the Working Group's report, to all FE Colleges in July 2003. The purpose of this working document was to assist FE Colleges by providing a practical starting point for the promotion of "Good Relations" which is a statutory legal requirement arising from the Northern Ireland Act 1998.

In tandem with this working document, the Department provided financial support

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

totalling £150,000 (£50,000 per pilot) for three Cultural Diversity pilot projects, which completed in March 2005. The purpose of supporting three Cultural Diversity pilots was primarily to promote best practice in “Good Relations” in the FE sector, by providing opportunities for students and staff from differing identities, backgrounds and traditions to develop and enhance relationships of trust and understanding, and promote mutual respect in every aspect of college life.

Following completion of these pilots, the Department engaged the Education & Training Inspectorate (ETI) to undertake an evaluation and identify best practice. To complement this work, the Association of Northern Ireland Colleges (ANIC) also commissioned research to identify chill factors within FE Colleges and to generate practical suggestions on how these may be addressed.

The Department hosted an event, to provide an opportunity for Sector representatives to hear at first hand about the experiences of the four Colleges involved, and to consider how Cultural Diversity/Good Relations might be promoted throughout the sector. This event took place on Monday 6th February at the Ramada Hotel, Belfast, and was attended by Principals, Governor Nominees and the Senior Management Team from all FE Colleges and Institutes, representatives from the Association of Northern Ireland Colleges (ANIC), the National Union of Students/ Union of Students Ireland (NUS/USI), and the Education and Training Inspectorate (ETI).

The event also provided an opportunity for the Department to announce the establishment of an FE Equality Working Group, comprising representatives of the Department and the Equality Commission, as well as key players from the ETI, ANIC and the NUS/USI. This Working Group will offer advice and guidance on equal opportunity policy to the FE Sector, and promote best practice in all aspects of diversity and Good Relations and have a permanent role in monitoring.

The Department has provided further funding of £300K during the 2006/07 financial year, to support the dissemination and roll out of best practice identified in the Cultural Diversity pilots and to implement the recommendations of the “Chill factor” research. A circular inviting collaborative proposals from the sector issued on 6th April 2006.

It is intended that the dissemination programme will complete in March 2007, although funding may be available for subsequent years.

Essential Skills

Significant progress continues to be made in advancing the Essential Skills for Living Strategy. Since 2003, over 10,000 adults have achieved an Essential Skills qualification and the Department is on track to meet the challenging PSA target of 18,500 adults achieving a recognised qualification by 2007.

Gregory – currently studying Literacy Entry Level 3

Gregory is 17 and an inmate at Hyde Bank Wood Young Offenders Centre. He is currently studying Entry Level 3 Literacy. Gregory's prime motivation is to gain a qualification that he can show to potential employers upon leaving the centre. He said he might also use it to go to college. The qualification would not only give him a sense of achievement but would prove that he did something worthwhile during his time at the centre.

So far, Essential Skills has helped him write letters and fill out forms. He also believes that he is now able to structure sentences in a better way.

is continuing with other Government Departments to influence policy and reach out to their client groups.

“Further Education Colleges have a major contribution to make in revitalising the social, economic and learning aspects of the communities they serve. This is why government has promoted the major investment programme currently underway in Colleges throughout Northern Ireland. The funding committed to date provides further confirmation of Government's commitment to the sector and the young people and adults using its facilities.”

Angela Smith speaking on 9 March 2006 regarding confirmation of a £31.6m capital investment package for the North West Institute

The quality of teaching in literacy and numeracy has been improved. Since the development of new tutor qualifications, some 700 tutors have enrolled in the new

The Department recently commissioned Frontline Consultants to undertake an interim appraisal of the Essential Skills Strategy to investigate how it is working and to inform future policy and provision. Frontline concluded that the Strategy is making an immediate difference to individuals and should make a longer term difference to society and the economy.

Jackie and Bernie – currently studying Literacy Level 1 and Numeracy Level 2

Jackie and Bernie are currently attending Essential Skills Level 1 and Level 2 literacy and numeracy classes at their local women's aid group. They saw the Gremlins commercial and ES posters which motivated them to sign up for classes. They hope to prove to themselves that they have the ability to return to learning and to improve their job prospects.

Both left school at a young age and view ES as a second chance – an opportunity to gain the qualifications that they missed at school and “to prove you have done something in your life”. Both hope that by doing the classes they will be able to help their children with their homework.

Level 4 provision and, of these, almost 400 have already achieved a qualification.

Essential Skills provision has been fully integrated into the Department's programmes, where appropriate, and work

FE Estates

Some further education colleges' accommodation fails to meet modern standards and requires significant capital investment. Since the incorporation of colleges in 1998 the Department has been working closely with the colleges to remedy deficiencies, overseeing substantial levels of investment in the estate. In the financial year 2005-2006 a total of £24.5m has been allocated to support:

- Major works projects - at East Tyrone (Cookstown Campus), Limavady, North West, East

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Antrim, Fermanagh and the Springvale Workforce and Economic Development Centre (Belfast Institute).

- Capital programme allocations - £7.787m for health and safety, accessibility improvements for students with learning difficulties/disabilities and minor works programmes.
- Public Private Partnerships – New accommodation has been provided

at the Omagh and East Tyrone Colleges. Significant progress has also been made on three other PPP projects at Lisburn, East Down and Belfast Institute.

- Miscellaneous projects- Northern Ireland Regional Area Network (NIRAN), capital equipment/ICT and the new Management Information System.

Incorporation of Stranmillis University College

Stranmillis University College became a legally independent corporate body, in line with other providers of higher education, following the making of the Colleges of Education (Northern Ireland) Order 2005, approved by both Houses of Parliament in July 2005.

The management of Stranmillis University College transferred to the governing body of the College, which also assumed responsibility for the estate and employment of staff, on 1 October 2005.

Incorporation enables the College to plan more effectively in the future for the benefit of staff, students and the wider community and gives Stranmillis the opportunity to build on past achievements in learning and teaching.

Centres for Excellence in Teaching and Learning

The Centres for Excellence in Teaching and Learning (CETLs) initiative in Northern Ireland was introduced as a £5.5 million package to promote excellence

across all subjects and aspects of teaching and learning in Northern Ireland Higher Education. The Department is investing this significant amount of funding in CETLs (NI) as the centres are a key strand of its policy to promote and sustain the development of an international standard Higher Education (HE) sector encompassing high quality teaching.

The Queen's University of Belfast has established three Centres for Excellence namely the Programme for Active and Interactive Learning, Inter-professional Education and Creative and Performing Arts. St Mary's University College has one Centre for Excellence entitled Critical Thinking and Analytical Writing and Stranmillis University College has also established one Centre entitled Bridging the Gap: Building the Virtual Classroom. The University of Ulster has established two Centres namely Utilising Institutional E-Learning Services and Dynamic Multi-Media Teaching and Learning. The significant investment by the Department should have a discernable impact and will lead to further benefits for students, teachers and the wider community.

INCREASING THE LEVEL OF RESEARCH AND DEVELOPMENT

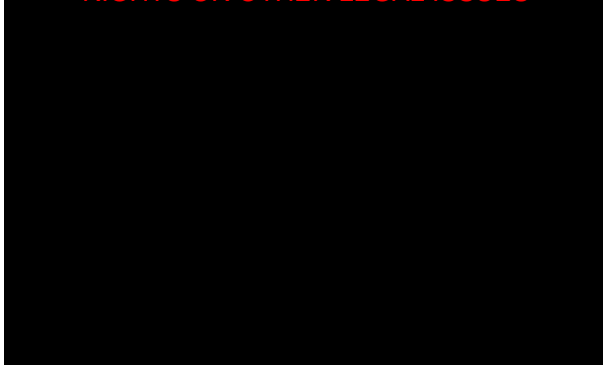
The Department recognises the importance of good quality research and development and continues to fund the development of the NI universities' research strategies, of which the following have been identified as making significant progress:

- The £9M International Centre for Experimental Physics (IRCEP) at Queen's University Belfast was officially opened on 22 June 2005.

The principal element of the project is the opening of a state-of-the-art facility that will be a centre for world-class cross-disciplinary physics research activities.

A week-long programme of opening events raised awareness of the project and the importance of a local research base in physics and how it interfaces with other disciplines. Local Physics teachers attended a conference on aspects of curriculum development and delivery and 500 15/16 year old physics students attended a hands-on "Horizons in Physics" event.

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Centre for Molecular Biosciences UU at Coleraine

The £9 million Centre was part funded by £5million from DEL under the SPUR 1 initiative. There have been a number of major achievements which can be directly attributed to the existence of IRCEP.

These include £2 million funding from the Engineering and Physical Sciences Research Council (EPSRC) for a laser project which will be a flagship project for many years.

- The £4m University Of Ulster's Transitional Justice Institute was launched on 22 June 2005 by Justice Albie Sachs of the South African Constitutional Court.

At the official opening of the premises at Jordanstown and Magee Justice Sachs presented a public lecture on transitional justice, drawing on the South African experience.

Other events aimed at raising the profile of the TJI included an international conference on "Women and Human Rights; conflict, transformation and change". A parallel art exhibition also took place to reflecting women's experiences of the conflict in Northern Ireland.

The Institute is expected to cost in the region of £4 million. It is being part funded by DEL under the SPUR 2 initiative to the value of £800,000 to date - with a further £1.2 million available until the project is due to finish in 2007.

- The £14.5m Centre for Molecular Biosciences was officially opened on 6 September 2005 at the University of Ulster's Coleraine campus.

With almost 200 research staff, the Centre is involved in international research into relationships between diet and health and age-related health problems and degenerative diseases.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

The £14.5 million Centre received a contribution of over £7 million from DEL,

under the SPUR 1 initiative.

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Centre UU at Coleraine

HELPING PEOPLE TO ACQUIRE JOBS

Employers Online

The Department launched the second phase of its Employers website¹ in August 2005. This updated facility enables employers to place, create, view, amend or close a vacancy at their discretion 24 hours a day from any location. In addition employers can upload their distinctive application forms to the website and receive applications on line. Once the Department has accepted the vacancy it is published on Jobcentreonline², which is one of the largest job websites in Northern Ireland. The vacancy will also appear on the Department's network of touch screen JobPoints which are located in Jobs & Benefits offices/JobCentres which are situated throughout Northern Ireland and in the

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¹ The address of this website is www.employersonlineni.com

² The address of this website is www.jobcentreonline.com

Job Assist Centres in the Targeted Initiatives areas of West Belfast, the Shankill Road, Londonderry and Strabane.

An ever increasing number of employers, including the majority of Private Employment Agencies, that notify vacancies to the Department, now do so via this website. Indeed, by January 2006 over 23% of all vacancies placed with the Department were notified in this way. Furthermore, 30% of those employers who have used this facility since the launch of the website in June 2004 are first time customers.

New Deal

A review of the option provision within the New Deal for 18 to 24 year olds and New Deal 25+ was completed during the year. This has resulted in the alignment of the work experience element of the programmes and an increased focus on moving participants from welfare to work. In addition, enhancements previously piloted in six offices were widened out to all New Deal participants. These include the payment of incentives to participants who address their essential skills needs and the availability of an Adviser Discretion Fund for those who have a barrier that prevents them from taking up a job.

An independent evaluation of the New Deal Self-employment route carried out during the year provided very positive feedback regarding the programme. The evaluation report showed that of the 200 past participants surveyed 66% are now in employment either as employees or on a self-employed basis.

Policy and operational responsibility in respect of the New Deal for Lone Parents and Work Focussed Interviews for lone

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

parents claiming Income Support, transferred from the Department for Social Development (DSD) to this Department with effect from 31 October 2005. This has resulted in the transfer from DSD of 44 staff and resources totalling £2.3m. In tandem with the transfer of responsibility, enhancements to the New Deal for Lone Parents programme were introduced in October 2005. Lone parents may now avail, on a voluntary basis, of all provision available through the main New Deal programmes, including employment subsidies. Assistance is also available with the costs of childcare in the week before starting work (Childcare Assist) and for the first year of part-time employment (Childcare Subsidy).

Strategic Dialogue with Disability Sector

A Key Action in the Department's Corporate Plan was to consult with the disability sector about the Department's programmes and services for people with disabilities. This was very effectively progressed during the year by a Steering Group nominated by the overall Disability Liaison Group (DLG). The Steering Group comprised a person with a disability and representatives of the major "regional" disability organisations, representing all the main categories of disability. The report by DLG is due to be ready for presentation to the Department by the end of May 2006.

Employer Engagement

The changing local employment market is now reporting historically low levels of unemployment and high levels of employment. Latest figures based on the Labour Force Survey January-March 2006 show that just over three-quarters of a million people (758,000) are in employment in Northern Ireland with a working age employment rate of 69%.

Unemployment stood at 35,000 people, or a rate of 4.4%, in the first quarter of 2006. Unemployment has fallen considerably since the mid-1990s and at the start of 2006 was half a percentage point below the level of a year ago. Northern Ireland unemployment is now lower than the UK average (5.2%) and most UK regions have higher unemployment rates than NI. Against this backdrop the Department has recognised the need for a refocused approach to employer engagement within the work of our Jobs & Benefits Offices/JobCentres.

During the past six months plans have been developed that will allow the Employment Service to engage pro-actively with employers with the emphasis on those who can offer opportunities for our customers. The new strategy will develop services and build relationships for the benefit of employers and to enhance prospects for jobseekers.

Targeted Initiatives

One of the most immediate outcomes of the inter-departmental Taskforce on Employability and Long-Term Unemployment Report was the development in 2003 of a small number of Targeted Initiatives in areas of lowest employment and high social deprivation. Located in West Belfast, Greater Shankill, Londonderry and Strabane, the Targeted Initiatives concept aims to provide a co-ordinated service which builds on partnerships between statutory agencies, local voluntary and community organisations and employers. Its primary aim is to tailor services to individual needs through increased flexibility of existing programmes, and an innovative and imaginative approach to addressing barriers to employment. The new components introduced in Targeted Initiatives are:

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

- Job Assist Centres (JAC);
- Transitional Employment Programme (TEP);
- A local stakeholders' forum;
- An employers' forum ;
- A range of flexible and innovative approaches within existing programmes.

The Initiatives are currently undergoing an Interim Evaluation to assess the progress towards achievement of the objectives. A Final Evaluation will be conducted in mid-2006 to help determine the way forward. These considerations will necessarily take into account other relevant government led initiatives and the availability of resources and other competing priorities.

progress2work (NI)

From November 2005 until March 2007, the Department is piloting a new initiative throughout Northern Ireland, named progress2work (NI), or p2w (NI). This is a specialist support service aimed at helping those with significant problems improve their employability and employment opportunities.

The target groups are individuals in receipt of Social Security Benefits, such as Jobseeker's Allowance, Income Support or Incapacity Benefit, who have significant difficulty in accessing the labour market as a result of being homeless, being an ex-offender or ex-prisoner or having a history of drug or alcohol misuse.

The p2w (NI) Providers, contracted by the Department, are based in Belfast, Banbridge, Magherafelt and Strabane. In delivering the service, they will build effective working relationships with organisations such as those providing drug and alcohol treatment services, the Simon

Community and other hostel accommodation services, the Prison Service Resettlement Teams and DEL Jobs and Benefits Offices/Jobcentres, to encourage them to identify and refer customers who could benefit from participation in p2w (NI).

The barriers to employment faced by each individual will be assessed and the Providers will work closely with them to address specific issues and encourage them to take the steps needed to make progress. Although the pilot has been operational for only a few months, early indications are positive as Providers are reporting a definite interest by customers participating in the new service.

Pathways to Work (Incapacity Benefit Reform)

Pathways to Work Pilots, similar to those operating in Great Britain since 2003, were introduced in Northern Ireland in October 2005. The Pilots will run until March 2008.

Pathways to Work is a new programme for helping people with health problems or disabilities into work. New incapacity benefit claimants in pilot areas are required to attend up to 6 work-focused interviews during the first 6 months of their claim. At these interviews the role of the specially trained Pathways Personal Adviser is to work with the client to identify any barriers to work, and provide them with individually tailored advice and support and agree an Action Plan to help the client move into work.

In addition to existing provision such as New Deal for Disabled People, Job Grant and permitted work, a range of new options is available. This includes:-

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

- A Return to Work Credit of £40 per week, for one year, for anyone leaving incapacity benefit for paid work of at least 16 hours a week where the earnings are less than £15,000 per annum.
- Access to the Adviser Discretion Fund which can provide up to £300 to spend on anything that will help the client obtain a job, or if offered a job, accept it.
- A Condition Management Programme which will run in partnership with the health service offers clients short courses to help them gain a better understanding of their health condition and how to manage it safely in a work environment. By gaining strategies for managing their condition and exploring the health benefits of working the client should feel more confident about seeking work and the prospect of remaining in work. Through the short course the client should also be able to recognise the early signs of a relapse or worsening of the condition and will be in a better position to seek help or reasonable workplace adjustments.

Although the series of interviews is mandatory, the Pathways PA has the discretion to waive or defer them if appropriate. All the choices on offer are entirely voluntary and clients are not put under pressure to participate in any of the options or forced into work. Early

indications from the Pilots in Great Britain suggest that Pathways has been effective in helping people with health conditions and disabilities find and remain in work.

European Employment Service

2006 has been proclaimed “European Year of Workers’ Mobility” by the European Commission. Key objectives are to raise awareness and exchange good practice on mobility and its benefits.

To promote this important year the Department’s European Employment Service (Eures), organised a two day event “Connection Europe- people: skills: jobs” on 15th-16th March 2006 at Holiday Inn, Ormeau Avenue, Belfast.

Eures advisers from ten EU countries were invited to participate in information sessions on labour surpluses; employment vacancies and common employment issues within their respective countries.

A number of NI employers, experiencing difficulty recruiting locally due to significant shortages of labour in certain sectors, were also invited.

Throughout the year, Eures has been working towards giving its customers access to European vacancies on jobpoints in JobCentres and Jobs and Benefits offices throughout NI.

The Department planned to launch access to European vacancies on ‘Europe Day’ 9th May 2006.

DEVELOPING AND MAINTAINING THE FRAMEWORK OF EMPLOYMENT RIGHTS AND RESPONSIBILITIES

The Department has continued to maintain and develop the Northern Ireland framework of employment rights and responsibilities. An overview of the main areas where new legislation has been enacted or significant activity has occurred is set out below.

New Legislation Affecting the NI Recruitment Industry

The Conduct of Employment Agencies and Businesses Regulations (NI) 2005

On 25 September 2005, the Department implemented new Regulations governing the conduct of employment agencies and businesses in NI. The Regulations modernise existing legislation and establish a framework of minimum standards regarding the treatment of work-seekers and employers who use the industry. The Regulations were introduced following extensive public consultations in 2004 and 2005, including meetings with industry and work-seeker representatives. As well as informing interested parties of the provisions of the legislation, the Department produced and distributed a range of guidance material, including producing publications in five minority languages.

Employment (Miscellaneous Provisions) (Northern Ireland) Order 2005

The Department has implemented new legislation providing powers of entry and inspection relating to the recruitment industry that allow it to fulfil its statutory duty to enforce regulations governing its conduct. The new powers came into operation on 14 January 2006, having passed its scrutiny stages at Westminster in November 2005. All known employment

agencies/businesses were informed of the main provisions of the Order. An inspection process has also been established by the Department.

Employment Agency Enforcement

In December 2005, an Industrial Tribunal heard the Department's application (the first ever made in Northern Ireland) to prohibit a Belfast entertainment agent from operating an employment agency or employment business due to breaches of the legislation governing its conduct, including non-payment or late payment of fees and failure to provide written terms and conditions to clients. The Department's application was granted but stayed for four years with a number of conditions relating to the conduct of the agency.

Work and Families

The Department conducted public consultation on a set of proposals aimed at providing more choice for families in how they balance work and caring responsibilities. As a result, the Minister for Employment and Learning and the Minister for Social Development announced their intention to take forward in 2006 primary legislation corresponding to the GB Work and Families Bill introduced to Westminster in October 2005. New and improved rights will include an additional 3 months' paid maternity and adoption leave, a new right to up to 6 months' 'additional paternity leave', and extension to carers of the right to request flexible working. With the exception of additional paternity leave, most of the new rights will come into full operation in April 2007. Further public

consultation will take place throughout 2006 on the associated regulations.

Transfer of Undertakings (Protection of Employment) Regulations

On 6 April 2006, the Department of Trade and Industry in Great Britain is to introduce revised Transfer of Undertakings (Protection of Employment) Regulations. This legislation, which applies UK-wide, protects employees' terms and conditions when the business or undertaking in which they work is transferred from one employer to another.

Changes to these regulations include a widening of the scope to cover cases where services are outsourced, insourced or assigned to a new contractor (described as "service provision changes"). Separate but complimentary legislation for this specific area is to be introduced by the Department on 6 April 2006.

Review of the Industrial Court

The Department completed a review of the Industrial Court. The review report was largely favourable and concluded that the Court performs well and is held in high regard by all the main stakeholders. However, it made twelve recommendations to further improve the Court's performance and enhance its reputation. The main recommendation concerns the continuation of the Court's Non Departmental Public Body status and the transfer of its administrative support functions to the Labour Relations Agency (LRA). The Department is working with all those affected by the recommendations to ensure their timely and effective implementation.

Legislation and Guidance

In addition to the above the Department brought into operation 15 Statutory Rules and 2 Statutory Codes of Practice. The Department continued to maintain a range of guidance material on employment law and to introduce new guidance material as appropriate.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

**CORPORATE GOVERNANCE AND
ACCOUNTABILITY**

The Department continues to build upon best practice implemented within its Corporate Governance and Financial Management framework.

It has recently implemented a new “Risk Management Toolkit” for recording and reporting risks to the Board. DEL was the first NICS department to achieve faster closing in 2004/05 and we have continued this success through 2005/06.

There are a number of bodies beyond the Departmental boundary in receipt of substantial financial support from the Department. They are responsible for their own internal control arrangements and are required to provide annually to the Department, assurance that their arrangements are sound and comply with requirements.

Governance and accountability arrangements within the Department are subject to ongoing review and development. The approach adopted ensures that the Board reviews progress on:

- The management of risks impacting at a corporate level;
- The achievement of PSA targets and
- Managing its expenditure and ensuring it remains within budget.

The Department’s Audit Committee co-ordinates the assurance reporting including the work undertaken by Internal Audit and the Department’s Financial Audit Support

Team and considers reports from the Northern Ireland Audit Office.

Freedom of Information

The Freedom of Information Act came into full effect in January 2005. During the period covered by this report the Department received 80 requests covering all aspects of its remit.

The requests can be categorised as follow; 37% from staff, 19% from the media, 3% from political representatives and 41% from the general public.

The policies and procedures regarding Freedom of Information have been continually modified in the light of experience to ensure that the Department continues to meet its obligations under the Act.

**SUMMARY OF ACHIEVEMENT AGAINST DEPARTMENTAL PERFORMANCE
TARGETS AND PUBLIC SERVICE AGREEMENT (PSA) TARGETS IN 2005/06**

The Department's performance against the main targets is summarised below.

Of the 57 performance targets in the Corporate Plan:

- 33 were achieved
- 5 were substantially achieved
- 4 were likely to be achieved but with some delay
- 3 were unlikely to be achieved; and
- 12 were on track for achievement.

Annex 1 contains information on the 2005/06 year's performance targets.

Annex 2 contains information on achievement of the five PSA targets.

DEPARTMENTAL REMUNERATION REPORT

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The remuneration of all senior civil servants is entirely performance based. Permanent Secretaries pay awards are determined by the Northern Ireland Civil Service (NICS) Permanent Secretary Remuneration Committee.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Salary and pension entitlements

Ministers Salaries

Between 1 April 2005 and 10 May 2005 the Department for Employment and Learning was under the direction and control of Barry Gardiner MP. His salary and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Barry Gardiner's salary and allowances will be provided in the 2005-06 Northern Ireland Office Resource Accounts.

Between 11 May 2005 and 31 March 2006 the Department for Employment and Learning was under the direction and control of Angela Smith MP. Her salary and allowances were paid by the Northern Ireland Office or the Cabinet Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Angela Smith's salary and allowances will be provided in the 2005-06 Northern Ireland Office Resource Accounts.

Ministerial pensions

Pension benefits for Westminster Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Senior Civil Service Salaries

	2005-06		2004-05	
Officials	Salary £000	Benefits in kind To nearest £100	Salary £000	Benefits in kind To nearest £100
Will Haire <i>Permanent Secretary</i> <i>1/4/05-2/1/06</i>	80 – 85 (95 – 100 full year equivalent)	-	90 - 95	-
Aideen McGinley <i>Permanent Secretary</i> <i>20/2/06-31/3/06</i>	5 – 10 (105 – 110 full year equivalent)	-	N/A	N/A
Dr Robson Davison <i>Acting Permanent Secretary</i> <i>3/1/06-19/2/06</i>	90 – 95 (105 – 110 full year equivalent)	-	Consent for disclosure withheld	
Deputy Secretary <i>1/4/05-2/1/06</i> <i>20/2/06-31/3/06</i>	10 – 15 (95 – 100 full year equivalent)			
Catherine Bell <i>Deputy Secretary</i>	80 - 85	-	Consent for disclosure withheld	
Patricia McAuley <i>Assistant Secretary Preparation for Work</i>	Consent for disclosure withheld		Consent for disclosure withheld	
David McAuley <i>Assistant Secretary Higher Education</i>	Consent for disclosure withheld		Consent for disclosure withheld	
George O'Doherty <i>Assistant Secretary Finance and European</i> <i>1/4/05-12/9/05</i>	Consent for disclosure withheld		Consent for disclosure withheld	
Bernie O'Hare <i>Assistant Secretary Further Education</i>	65 - 70	-	60 - 65	-
Tom Scott <i>Assistant Secretary Corporate Services</i> <i>1/4/05-31/7/05</i>	Consent for disclosure withheld		Consent for disclosure withheld	
Heather Stevens <i>Assistant Secretary Skills and Industry</i>	50 - 55	-	15 - 20	-
June Ingram <i>Assistant Secretary Corporate Services</i> <i>12/9/05-31/3/06</i>	25 – 30 (55 – 60 full year equivalent)	-	N/A	N/A
Nuala Kerr <i>Assistant Secretary Finance and European</i> <i>26/9/05-31/3/06</i>	25 – 30 (55 – 60 full year equivalent)	-	N/A	N/A
Tim Devine <i>Acting Assistant Secretary Employment Rights</i> <i>1/4/05-6/11/05</i>	15 – 20 (55 – 60 full year equivalent)	-	10 - 15	-
Adrian Arbuthnot <i>Director of Regional Operations</i> <i>1/4/04-18/4/04</i>	N/A	N/A	Consent for disclosure withheld	

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Senior Civil Service Salaries

Officials	2005-06		2004-05	
	Salary £000	Benefits in kind To nearest £100	Salary £000	Benefits in kind To nearest £100
Roy Gamble <i>Assistant Secretary Employment Rights 1/4/04-23/12/04</i>	N/A	N/A	Consent for disclosure withheld	
Richard Kenny <i>Acting Assistant Secretary Lifelong Learning 23/2/04-30/4/04</i>	N/A	N/A	0 - 5	-
Daryl Young <i>Acting Assistant Secretary Corporate Services 1/10/04-9/1/05</i>	N/A	N/A	10 - 15	-
Tom Redmond <i>Acting Assistant Secretary Lifelong Learning 1/5/04-30/9/04</i>	N/A	N/A	20 - 25	-

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Salary

‘Salary’ includes gross salary; performance pay or bonuses any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Senior Civil Service Pensions

Officials	Accrued pension at age 60 at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/06	CETV at 31/03/05	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
Will Haire <i>Permanent Secretary</i> <i>1/4/05-2/1/06</i>	0-2.5: lump sum 0-2.5	25-27.5: lump sum 77.5-80	400	429	0	-
Aideen McGinley <i>Permanent Secretary</i> <i>20/2/06-31/3/06</i>	0-2.5: lump sum 2.5-5	37.5-40: lump sum 115-117.5	637	580	25	-
Dr Robson Davison <i>Acting Permanent Secretary</i> <i>3/1/06-19/2/06</i> <i>Deputy Secretary</i> <i>1/4/05-2/1/06</i> <i>20/2/06-31/3/06</i>	5-7.5: lump sum 15-17.5	45-47.5: lump sum 135-137.5	819	692	104	-
Catherine Bell <i>Deputy Secretary</i>	2.5-5: lump sum 7.5-10	25-27.5: lump sum 75-77.5	438	365	53	-
Patricia McAuley <i>Assistant Secretary</i> <i>Preparation for Work</i>	Consent for disclosure withheld					
David McAuley <i>Assistant Secretary</i> <i>Higher Education</i>	Consent for disclosure withheld					
George O'Doherty <i>Assistant Secretary</i> <i>Finance and European</i> <i>1/4/05-12/9/05</i>	Consent for disclosure withheld					
Bernie O'Hare <i>Assistant Secretary</i> <i>Further Education</i>	2.5-5: lump sum 10-12.5	25-27.5: lump sum 75-77.5	436	336	82	-
Tom Scott <i>Assistant Secretary</i> <i>Corporate Services</i> <i>1/4/05-31/7/05</i>	Consent for disclosure withheld					
Heather Stevens <i>Assistant Secretary</i> <i>Skills and Industry</i>	0-2.5: lump sum 0-2.5	7.5-10: lump sum 22.5-25	87	74	7	-

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Senior Civil Service Pensions

Officials	Accrued pension at age 60 at 31/3/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/06	CETV at 31/03/05	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	£000
June Ingram <i>Assistant Secretary Corporate Services</i> 12/9/05-31/3/06	0-2.5: lump sum 2.5-5	12.5-15: lump sum 40-42.5	169	142	18	-
Nuala Kerr <i>Assistant Secretary Finance and European</i> 26/9/05-31/3/06	0-2.5: lump sum 0-2.5	17.5-20: lump sum 52.5-55	314	293	5	-
Tim Devine <i>Acting Assistant Secretary Employment Rights</i> 1/4/05-6/11/05	0-2.5: lump sum 0-2.5	15-17.5: lump sum 47.5-50	230	238	0	-
Adrian Arbuthnot <i>Director of Regional Operations</i> 1/4/04-18/4/04	N/A			Consent for disclosure withheld -		
Roy Gamble <i>Assistant Secretary Employment Rights</i> 1/4/04-23/12/04	N/A			Consent for disclosure withheld		
Richard Kenny <i>Acting Assistant Secretary Lifelong Learning</i> 23/2/04-30/4/04	N/A			318		
Daryl Young <i>Acting Assistant Secretary Corporate Services</i> 1/10/04-9/1/05	N/A			251		
Tom Redmond <i>Acting Assistant Secretary Lifelong Learning</i> 1/5/04-30/9/04	N/A			225		

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic

plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website

www.civilservicepensions-ni.gov.uk .

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Dr Aileen McGinley
Accounting Officer

9 October 2006

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

Post balance sheet events

No significant events have occurred since the balance sheet date that would require adjustment to, or disclosure in, the Resource Accounts.

MANAGEMENT

Minister

The responsible Minister was Angela Smith MP who replaced Barry Gardiner MP on 11 May 2005.

Permanent Head of the Department and the Management Board

The Permanent Secretary of the Department is Dr Aideen McGinley who replaced Will Haire on the 20 February.

The other members of the Management Board who served during the year were:

Dr Robson Davison
Mrs Catherine Bell
Mrs Bernie O'Hare
Mr David McAuley
Mrs Patricia McAuley
Mr Daragh Shields
Mrs Heather Stevens
Mr Vivian McIver
Mr Tom Scott
Mr George O'Doherty
Mrs Nuala Kerr
Mr Tim Devine
Mr Gwyn Treharne
Dr Maureen Bennett
Ms June Ingram

Non-executive Board Members

Mr Bill McGinnis
Mr Fred Gray

Appointments to these posts are made and their remuneration determined under normal arrangements for Senior Civil Service posts. Details of remuneration are included in the notes to these accounts.

Expenses for Non-executive Board Members

Total fees and expenses of £12,698.58 were paid in respect of the Departments Non-Executive Directors.

PUBLIC INTEREST AND OTHER

Reporting

The Department publishes its annual report and accounts in November each year. This is published on DEL's web-site (www.delni.gov.uk) and laid in the Houses of Parliament. The Annual Report contains details of DEL's aims, objectives and targets and detailed textual and financial descriptions of performance against targets. Departmental performance is monitored during the year on a quarterly basis and on a monthly basis during the final quarter. In-year reporting is provided in the form of Spring and Winter Estimates which outline what resources are needed for the current year. The latter documents are published by The Stationery Office and laid in the Houses of Parliament.

Disabled persons

The Department follows the code of practice of the Northern Ireland Civil Service in aiming to offer equality of opportunity for people with disabilities to make full use of those skills and abilities that they possess.

Equal opportunities

The Department follows the Northern Ireland Civil Service policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work.

Payment of suppliers

The Department is committed to the prompt payment of suppliers of goods and services in accordance with the Confederation of British Industry's prompt payers code and British Standard BS 7890.

Unless otherwise stated in the contract, payment is due within 30 days of receipt of the goods or services, on presentation of a valid invoice or similar demand, whichever is later.

In the year ended 31 March 2006, 98% of invoices from suppliers were paid within the timescale noted above. No amounts were paid to suppliers in interest under the Late Payment of Commercial Debts (Interest) Act 1988.

Consultation with employees

During the year, in order to maintain and develop the provision of information to, and consultation with, employees, the Department engaged in an ongoing consultation process with its employees through the Departmental Whitley Committee.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

Auditor

These accounts are subject to audit by the Comptroller and Auditor General for Northern Ireland. The Auditor has not received payment or fees for any non audit services.

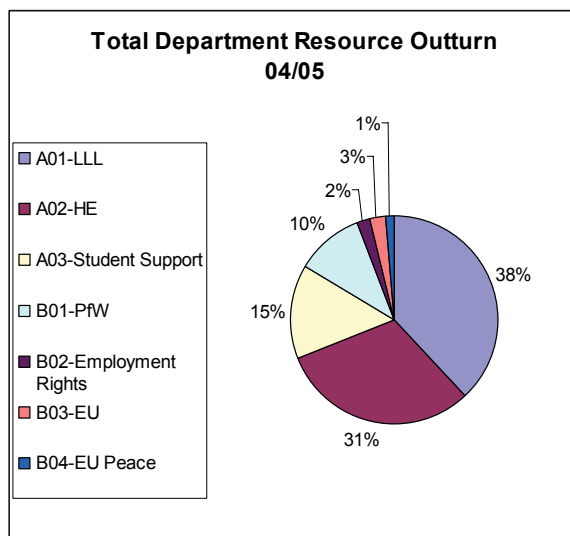
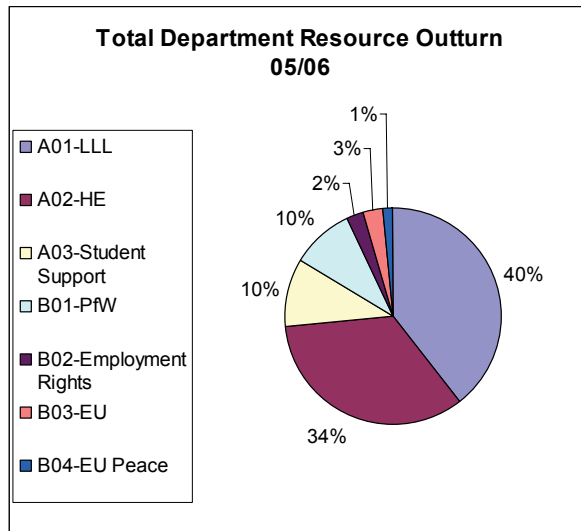
As Accounting Officer I can confirm that:

- so far as I am aware, there is no relevant audit information of which the Department's auditors are unaware; and
- I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

Management Commentary

Departmental Expenditure for the year remained at approximately the same levels as the 2004-5 financial year, reducing by only £6m. The pattern of expenditure remains consistent with that in the previous year, as shown in the charts below.



REQUEST FOR RESOURCES A

Areas contributing to the net overall decrease of £6m have included:

Lifelong Learning £3m
Higher Education £17m
Student Support £(35)m
Education Maintenance Allowances (EMA) £9m

Lifelong Learning

Grant aid to the Further Education sector increased by £3m in comparison to the 04/05 financial year. The focus of the increase in funding was on vocational enhancement and e-learning. Superannuation costs within the sector rose from 7% to 14%, and there was an overall increase in the block grant allocation of £2m. Capital funding reduced by £4m within the FE sector, to a level of approximately £19m.

Efficiency saving initiatives had an impact in other areas such as Management Development, with expenditure having reduced by 40% (£1.7m) on last year. This reduced level of expenditure is expected to continue in the current climate.

The Jobskills Programme experienced a decrease in expenditure of approximately £0.9m (2%) on 2004/5. The main contributing factors to this have been the achievement and retention rates during the year.

In terms of capital projects, there has been an overall reduction of £0.6m due to the timing of commencement and completion of projects. Work at Limavady College was completed in 2004/5, whereas 2005/6 shows reduced expenditure levels due to the commencement of a new project at Fermanagh College during the year.

During 2006/07, a major focus for Further Education activity will be on the implementation of the FE Strategy for Northern Ireland. Important aspects will be the final development and agreement of a number of key policy areas, planning for the implementation, by August 2007, of the new six college structure, and the appointment of new governing bodies for each of the new colleges.

In 2006/07 a number of major capital projects, using PPP and conventional procurement, will be advanced. It is expected that preferred bidder negotiations will be concluded and contracts signed for new campuses at the East Down, Lisburn and Belfast Institutes – the total capital value of these PPP projects is circa £80m. Major conventionally procured projects will also be progressed at North Down, Fermanagh, East Antrim and North West Institute plus the Belfast Institute's Springvale project. The total capital cost of these projects, which will be delivered over a number of years, is £50m.

Higher Education

Funding within the HE sector has increased by £17m during the course of the period under review, representing an increase of 8.3%.

Activity on capital projects at Universities contributes significantly to the increase in outturn on 2004/5. The University of Ulster commenced construction of the York Street campus in 2005/6, which has resulted in outturn in this area increasing by £9 m (174%). Funding to the Colleges of Education saw an increase of £8m (4.4%). The increase was partly accounted for by an increase in recurrent grant to maintain existing levels of activity, and to implement capital projects with regard to teaching facilities.

It was noted last year that the Department hoped to transfer the Stranmillis property to the College upon incorporation. This took place in October 2005.

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006**

The main changes in the financing of higher education in 2006/07 will include the progressive implementation of Government's policy that research and other services supplied under contract to third parties, including Government Departments, should be charged at rates sufficient to recover the full economic cost of provision. Also, September 2006 will see the introduction of higher variable tuition fees. Providers of higher education will be free to charge up to £3,000 a year for undergraduate courses for home and EU students, if they have in place an access agreement, approved by the Department, which will include bursaries for students from less well-off backgrounds.

Student Support

Expenditure shows a decrease of £34.7m or 35%, when compared with 2004/5. The main factor giving rise to this has been the one off adjustment to the student loan subsidy. This has been due to the discount and cost of capital rate being reduced from 3.5% to 2.2% in line with Treasury guidelines. In addition to this, the annual charge has been revised downwards by some £8m per annum.

REQUEST FOR RESOURCES B

RfR B shows a marginal under spend of 8% against the estimate. Overall expenditure has remained at around the same level as 2004/5.

The reduction of £1.9m on expenditure for Employment Programmes relates to the Worktrack scheme. In 2004/5, an announcement was made during the course of the year to close the scheme, leading to an oversubscription of available places. The scheme closed in March 2005, with expenditure relating to the final entrants falling into the current period.

Under administrative expenditure, the Welfare Reform initiative has impacted on outturn for the current period. SSA staff from Jobcentres have now been transferred to the Department, increasing costs by £2.6m or 13.5%.

A reduction of £2m has occurred in Enterprise Ulster due to a reduction in the number of trainees attending courses, together with a decision by EU to downsize operations as a whole. An announcement made by the Secretary of State in March 2006 referred to the intention to close Enterprise Ulster. A provision has been made within Employment Programmes of £3.0m for the anticipated costs of closure (notes 18 and 26).

Pathways to Work pilots will be extended to an additional seven offices during 2006. This will ensure that up to one-third of new Incapacity Benefits claimants in NI will have access to support through this initiative to help them to consider a return to work.

EU funding was largely in line with expectations. Outturn shows a decrease in Peace 2 funding to organisations, mainly due to the age profile of the Programme. Cost of capital charges for 2005/6 came to £3.2m. CFER income in relation to EU Programmes for 2005/6 was £43.2m against £34m for 2004/5. This is again linked to the spend profile of the Programmes.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNUAL REPORT
for the year ended 31 March 2006

The Department's future administration will be impacted upon by a number of initiatives that are currently facing the Northern Ireland Civil Service. These are currently in the planning process – including centralisation of Human Resources and financial processing, as well as review of accommodation facilities. Some of these initiatives will be introduced in the 2006/07 year, and the Department has planned accordingly.

BALANCE SHEET

Overall the assets of the Department have increased by £55m on the previous year. This movement is mainly attributable to the increase in student loan debt. There has been continued growth in the size of the student loan book, with a further £100m loans issued during the year. Repayments received and interest charged for the period were £19.9m and £15.4m respectively. During the period fixed assets have reduced considerably (£46m) due to the transfer of Stranmillis College. This transaction also impacted upon the Revaluation Reserve.

Another factor impacting upon the resource accounts to 31/3/06 was the decision by Treasury to reduce the discounted rate and cost of capital on student loan balances from 3.5% to 2.2%. EU grant income is recognised by the department in the Operating Cost Statement but as it is CFER income, it is not reflected in the Statement of Parliamentary Supply with EU receipts remitted to the Consolidated Fund. The department has reviewed the level of debtors in respect of EU grant income receivable for the period 1994 to date. This has resulted in a reduction in debtors of £7.1m, which is reflected in the 2005/06 debtor balance. This adjustment has arisen due to a combination of amounts due to the CFER account being processed through other departments and restatements of the intervention rates used by the Commission when calculating the final monies due. This adjustment includes an amount of £5.5m that is no longer receivable as it was processed through other departments.

Creditors decreased by £2m due to the timing of payments on certain Skills Programmes, changes in overall activity levels within the Higher Education sector, less reductions in amounts due to the CFER account for EU grant income as outlined above. Provisions for liabilities and charges includes an amount of £3m relating to the anticipated costs of closing Enterprise Ulster (notes 18 and 26).

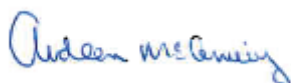
Other items on the balance sheet did not change significantly.

Environmental Matters, Social and Community Issues

Environmental matters, social and community issues have been dealt with in the Annual Report.

PSA Targets

Progress in relation to PSA targets can be found at Annex 1.



Dr Aileen McGinley
Accounting Officer
9 October 2006

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES
for the year ended 31 March 2006

Under the Government Resources and Accounts Act (NI) 2001 the Department of Finance and Personnel (DFP) has directed the Department to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the ***Government Financial Reporting Manual*** and in particular to:

observe the Accounts Direction issued by DFP including the relevant accounting and disclosure requirement, and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards as set out in the ***Government Financial Reporting Manual*** have been followed, and disclose and explain any material departures in the accounts and

prepare the accounts on a going concern basis.

DFP has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Departments assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in Government Accounting Northern Ireland.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2006

DEL STATEMENT OF INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting Northern Ireland. There are a number of bodies beyond the Departmental boundary in receipt of substantial financial support from the Department. They are responsible for their own internal control arrangements and are required to provide annually to the Department assurance that their arrangements are sound and comply with requirements. These bodies are the two local universities; the two local teacher training colleges; the 16 further education colleges, the 5 Education and Library Boards, the Student Loan Company, the Labour Relations Agency, Enterprise Ulster, Ulster Supported Employment Ltd, and the Construction Industry Training Board.

System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. Procedures were put in place in December 2002 and have been fully operational since that time. The system of internal control has been in place in the Department for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

The Department has carried out appropriate procedures to identify its objectives and risks and determine a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Department has set out its attitude to risk to the achievement of the Departmental Objectives.

The Departmental Board has ensured that procedures are in place for verifying that risk management and internal controls are reviewed and reported on regularly. Risk management has been incorporated into the corporate planning and decision making processes of the Department.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of internal auditors, the Financial Audit and Support Team (FAST) and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. Internal control processes include the following:

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2006

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Departmental Board;
- Regular reviews by the Departmental Board of periodic and annual financial reports that indicate financial performance;
- An annual review of financial control arrangements against the financial control checklist;
- Regular reviews by the Departmental Board of periodic and annual reports of progress against business plan, PfG and PSA targets;
- Regular review and reporting (monthly) of movement in, and management of, the control of risks at Divisional and Departmental level;
- A comprehensive system of internal control rules (Finance Bulletins) which set down procedures for key processes including procurement (including policy on the use of consultants), authority to incur expenditure, entertainment and staff travel etc;
- Internal Audit arrangements which operate to standards defined in the Government Internal Audit Manual. Regular reports are submitted which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement;
- The Financial Audit and Support Team (FAST) is responsible for inspecting external organisations in receipt of funding from the Department; FAST provides advice on how grants are applied and on the adequacy and effectiveness of the internal control systems within those organisations, and makes recommendations for adjustment of grant and improvements to these organisations' systems;
- Internal Audit and FAST report annually to the Department's Audit Committee;
- Heads of Divisions are required to provide an annual assurance statement to the Accounting Officer giving their assessment of the operation of internal control arrangements within their Divisions during the relevant financial year; this includes a facility to identify issues giving cause for concern and the remedial action proposed or taken;
- NDPBs and other Sponsored Bodies that have Additional Accounting Officers appointed are also required to provide annual assurance statements to the Department along the same lines as those required of Heads of Divisions.

Developments in Systems of Internal Control

By end March 2006, the department achieved the following:

- Improved the quality of risk assessment by implementing a risk toolkit at a divisional level which will provide information to those assessing risks and improve the way in which risks are reported to the Departmental Board;
- Introduced Volume 2 of our Finance Manual. This builds on Volume 1 of the manual and provides detailed procedures covering the tasks encountered by finance managers across the department; and
- Launched a series of finance and accountability awareness sessions to continue to meet customers' requests for development in these areas.

Control Issues Arising

The Department continues to monitor the accountability arrangements and financial health of all Further Education Colleges. The North East Institute of Further and Higher Education is currently implementing a recovery plan, aimed at restructuring the College curriculum and rebuilding its financial strength. Progress to date has been encouraging. A number of concerns arose over the

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT ON INTERNAL CONTROL
for the year ended 31 March 2006

standard of financial management and control which operated in Fermanagh College during the financial year. The College Governing Body engaged consultants to carry out a wide ranging review of financial management and has submitted a draft report to the Department along with a draft plan detailing the actions to be taken to implement the recommendations made. Once finalised, we will be regularly monitoring the implementation of the action plan. There has been a reduction in the budget allocation to the FE sector for the 06/07 year, and the Department will be monitoring the financial position of all Colleges to ensure their financial viability and continued delivery of provision within each region. In addition, the Department is closely monitoring the financial position of East Antrim Institute which is forecasting a significant deficit for the year. The Department will be working with the College to ensure a robust plan is established to restore the College to a stable financial position.

We have also worked with the Department for Education and Skills in England and the Student Loan Company to improve the accuracy and timely delivery of student loans data required for accounting purposes.

Last year the Department reported on two instances of non-compliance with procurement procedures within the University of Ulster. At that time the university provided the Department with an assurance that there had been no impropriety and no risk to public funds. Since then the university has improved its procurement procedures to avoid a repetition of these instances. For example, the Vice Chancellor is no longer in a position to award a single tender contract alone without the approval of the Chairman of the Council, and any such award must be reported to and approved by the Council.

During the year Internal Audit raised concerns about our internal contract monitoring and purchasing procedures. Steps are being taken to improve these procedures through the implementation of Internal Audit's recommendations.

The Department was advised by DFP on 16 May that it should review all outstanding amounts due in relation to 1994-99 EU Programmes in order to write down to realistic levels. The Department has reviewed the level of debtors in respect of EU grant income receivable for the period 1994 to March 2006. Further detail is given at Note 15 of the accounts.



Dr Aileen McGinley
Accounting Officer

9 October 2006

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
HOUSE OF COMMONS
for the year ended 31 March 2006

DEPARTMENT FOR EMPLOYMENT AND LEARNING

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO
THE HOUSE OF COMMONS AND THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Department for Employment and Learning for the year ended 31st March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 42 to 44 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the unaudited part of the Remuneration Report, the Management Commentary, Annex 1, Annex 2 and Annex 3. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
HOUSE OF COMMONS
for the year ended 31 March 2006

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31st March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

11 October 2006

**DEPARTMENT FOR EMPLOYMENT AND LEARNING
CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE
HOUSE OF COMMONS
for the year ended 31 March 2006**

The maintenance and integrity of the Department's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF PARLIAMENTARY SUPPLY
for the year ended 31 March 2006

Summary of Resource Outturn 2005-06

Summary of Resource Outturn 2005-06								2005-06 £000	2004-05 £000
Estimate				Outturn				Net Total Outturn compared with Spring Supplementary Estimate: saving/ (excess)	Outturn
Request for Resources	Note	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
A	2	629,437	10,357	619,080	568,784	10,273	558,511	60,569	564,504
B	2	127,743	382	127,361	117,279	361	116,918	10,443	116,694
Total resources	3	757,180	10,739	746,441	686,063	10,634	675,429	71,012	681,198
Non-operating cost Accruing Resources		-	18,000	18,000	-	18,000	18,000	-	20,000

DEPARTMENT FOR EMPLOYMENT AND LEARNING
OPERATING COST STATEMENT AND STATEMENT OF RECOGNISED GAINS AND
LOSSES
for the year ended 31 March 2006

Operating Cost Statement for the Year Ended 31 March 2006

				2005-06 £000	2004-05 £000
	<i>Note</i>	Staff Costs	Other Costs	Income	
Administration costs:					
Staff costs	8	39,170	-	-	35,109
Other administration costs	9	-	18,136	-	18,991
Operating income	11	-	-	(115)	(85)
Programme costs:					
Request for resources A					
Programme costs	10	-	555,572	-	555,779
Income	11	-	-	(10,273)	(4,063)
Programme costs:					
Request for resources B					
Programme costs	10	-	76,075	-	78,577
Income	11	-	-	(36,296)	(34,592)
Totals		39,170	649,783	(46,684)	649,716
Net Operating Cost	3,12			642,269	649,716

The notes on pages 54 to 87 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
OPERATING COST STATEMENT AND STATEMENT OF RECOGNISED GAINS AND
LOSSES
for the year ended 31 March 2006

Statement of Recognised Gains and Losses for the Year Ended 31 March 2006

	2005-06 £000	2004-05 £000
Net gain/(loss) on revaluation of tangible fixed assets	<u>458</u>	<u>5,825</u>
Recognised gains and losses for the financial year	<u>458</u>	<u>5,825</u>

The notes on pages 54 to 87 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
BALANCE SHEET
as at 31 March 2006

		2006 £000	2005 £000
	<i>Note</i>		
Fixed assets:			
Tangible assets	13	4,981	51,410
Investments	14	2,234	2,195
Student loans	14	699,493	601,072
Debtors falling due after more than one year	15	1,500	2,035
Current assets:			
Debtors	15	113,914	121,038
Cash at bank and in hand	16	<u>11</u>	<u>9</u>
		113,925	121,047
Creditors (amounts falling due within one year)	17	(140,924)	(142,626)
Net current liabilities		<u>(26,999)</u>	<u>(21,579)</u>
Total assets less current liabilities		681,209	635,133
Creditors (amounts falling due after more than one year)	17	(520)	(512)
Provisions for liabilities and charges	18	<u>(186,926)</u>	<u>(196,292)</u>
		493,763	438,329
Taxpayers' equity:			
General fund	19	492,750	432,254
Revaluation reserve	20	<u>1,013</u>	<u>6,075</u>
		493,763	438,329

Signed

Dr Aileen McGinley
Accounting Officer

9 October 2006

The notes on pages 54 to 87 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
CASH FLOW STATEMENT
for the year ended 31 March 2006

		2005-06 £000	2004-05 £000
	<i>Note</i>		
Net cash outflow from operating activities	<i>21a</i>	(660,154)	(646,534)
Capital expenditure and financial investment	<i>21b,</i> <i>21c</i>	(81,343)	(72,221)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		41,184	30,927
Payments of amounts due to the Consolidated Fund		(43,087)	(32,460)
Financing	<i>21d</i>	<u>746,193</u>	<u>716,331</u>
Increase/(decrease) in cash in the period	<i>21e</i>	<u>2,793</u>	<u>(3,957)</u>

The notes on pages 54 to 87 form part of these financial statements

DEPARTMENT FOR EMPLOYMENT AND LEARNING
STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIM AND OBJECTIVES
for the year ended 31 March 2006

	2005-06			2004-05		
	£000			£000		
	Gross	Income	Net	Gross	Income	Net
Objective 1	568,784	(10,273)	558,511	568,419	(3,915)	564,504
Objective 2	120,169	(36,411)	83,758	120,037	(34,825)	85,212
Net operating cost	688,953	(46,684)	642,269	688,456	(38,740)	649,716

The department's objectives were as follows:

Objective 1 - is equivalent to Request for Resources A (RfR A), which is: promoting economic, social and personal development through high quality learning, research and skills training.

Objective 2 - is equivalent to Request for Resources B (RfR B), which is: helping people into employment and promoting good working practices.

Further details of resources by Departmental aim and objectives are given in note 22.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2005-06 *Government Financial Reporting Manual (FReM)* issued by DFP. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount.

All tangible fixed assets are restated to current value each year. Published indices appropriate to the category of asset are normally used to estimate value.

Land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years, and, in the intervening years, by the use of published indices appropriate to the type of land or building. The last professional valuation of land and buildings was provided by the Valuation and Lands Agency at 31 March 2005.

The minimum level of capitalisation for inclusion in the Financial Statements as a tangible fixed asset is £1,000. On initial recognition they are measured at cost, including any costs directly attributable to bringing them into working condition.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

1.3 Depreciation

Tangible fixed assets are depreciated from the month of acquisition at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, or lease period if shorter. The base useful lives of assets are as follows:

Specialised buildings	50 years
Furniture and fittings	10 years
Motor vehicles	5 years
Computer equipment and software	4 years

Valuations of tangible fixed assets are based on a review of values as at the balance sheet date.

No depreciation is provided on freehold land.

Legal title to the Government-owned land and specialised buildings occupied by the Department rests in DFP. Properties managed and controlled by the Department for its specific purposes (specialised buildings) are incorporated in the accounts as if owned by the Department.

The remaining buildings used by the Department (some of which have shared occupancy) are part of the Government Estate. As rents are not paid for these properties an assessment of the rent that would be payable on an open market basis has been charged in order to reflect the full economic cost.

1.4 Investments

Financial interests in bodies that are outside the Departmental boundary are treated as fixed asset investments since they are held for the long term.

Loans issued by the Department to Ulster Supported Employment Limited are shown at historical cost.

1.5 Operating income

Operating income is income that relates directly to the operating activities of the Department. It comprises income from the European Union in support of departmental activities, fees and charges for services provided, on a full cost basis, to external customers and public repayment work and other income.

It includes not only the Department's accruing resources (AR) but also income payable to the Consolidated Fund, which is treated as operating income.

Operating income is stated net of VAT.

1.6 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in Government Accounting Northern Ireland by DFP.

Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

1.7 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 %) on the average carrying amount of all assets less liabilities excluding balance due to Consolidated Fund and Student Loans. Student loan investment and student loan provisions are calculated at 2.2 %, in line with treasury discount rate for provisions (note 1.17) previously 3.5%.

1.8 Inflation adjustment

A charge is made to reflect the impact of inflation on student loans and is included as part of student loans expenditure.

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme NI (PCSPSNI). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPSNI of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPSNI. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.10 Early departure costs

The Department is required to account for the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age.

The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes in the year the announcement is made.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

1.11 Student loans

The Department accounts for a share of the UK totals of student loan assets administered by the Student Loan Company Limited and related provisions using information on the domicile of student debtors supplied by the Student Loan Company Limited on the Northern Ireland share of the relevant balances and transactions.

Interest is charged on student loans at rates necessary to maintain the value of the loans in real terms and is added to amounts repayable by students.

The Department meets the costs resulting from the difference between interest paid by students and the real cost of loan capital.

An inflation adjustment is made in these accounts to reflect the impact of inflation on student loans (see note 1.8).

1.12 European Union income

All income from the EU is separately identified and is released to the Operating Cost Statement in the period in which the underlying activity takes place.

1.13 Notional costs

Some of the costs directly related to the running of the Department are borne by other Departments and are outside the Department's vote. These costs have been included in these accounts on the basis of the estimated cost incurred by the providing Department.

1.14 Value Added Tax

Most of the activities of the Department are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No 1 (Revised), entitled *How to Account for PFI Transactions*, as required by FReM.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost.

Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where, at the end of the PFI contract, a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Where the balance of risks and rewards of ownership of the PFI property are borne by the Department, it is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.16 *Grants payable*

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

1.17 *Provisions*

In addition to early departure costs (note 1.10) the Department provides for legal or constructive obligations for student support cost related to student loans which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant the estimated risk adjusted cash flows are discounted using the Treasury discount rate for provisions of 2.2%. (2005: 3.5%)

The Department has also made provision for the anticipated closure costs of Enterprise Ulster (note 18).

1.18 *Contingent liabilities*

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.19 *Third party assets*

The Department acts as agent for the Northern Ireland National Insurance Fund in relation to various aspects of the Employment Rights (Northern Ireland) Order 1996. The transactions and balances arising are reflected in the accounts of the Northern Ireland National Insurance Fund and are not included in these financial statements.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

2. Analysis of Net Resource Outturn by Section

	2005-06								2004-05
	Admin £000	Other Current £000	Grants £000	Gross Resource Expenditure £000	Accruing Resources £000	Net Total £000	Net Spring Supple- mentary Estimate £000	Net Total Outturn Net Compared Total With Spring Supple- mentary Estimate £000	Prior Year Outturn £000
Request for Resources A									
Lifelong Learning	10,061	475	239,284	249,820	(454)	249,366	260,543	11,177	246,550
Higher Education	1,460	181	222,000	223,641	(9,819)	213,822	230,101	16,279	196,967
Student Support	433	(4,953)	37,695	33,175	-	33,175	57,906	24,731	68,309
Executive Programme Funds	-	-	25,476	25,476	-	25,476	26,129	653	25,380
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	-
Repayment of Loans	-	-	-	-	-	-	894	894	-
Annually Managed Expenditure									
Lifelong Learning	-	-	-	-	-	-	-	-	-
Student Support	-	-	17,147	17,147	-	17,147	20,712	3,565	8,153
Non Budget									
Teachers pre-retirement – ongoing Liabilities	-	1,332	-	1,332	-	1,332	1,321	(11)	1,213
Teachers pre-retirement – new Liabilities	-	219	-	219	-	219	212	(7)	308
Notional charges	1,258	-	-	1,258	-	1,258	1,417	159	1,213
Education and library boards	-	-	16,716	16,716	-	16,716	19,844	3,128	16,411
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Total for RfR A	13,212	(2,746)	558,318	568,784	(10,273)	558,511	619,080	60,569	564,504
Request for Resources B									
Employment Programmes	22,159	3,014	32,382	57,555	-	57,555	57,659	104	59,406
Labour Market Services	12,041	1,815	334	14,190	(361)	13,829	17,734	3,905	12,845
ESF Payments-Public and Private sector	2,082	161	10,825	13,068	-	13,068	12,913	(155)	13,049
ERDF Payments	-	-	37	37	-	37	193	156	321
EU Community initiatives	-	-	1,961	1,961	-	1,961	1,500	(461)	1,144
EU programme for peace and Reconciliation	-	-	8,438	8,438	-	8,438	8,500	62	8,559
Executive Programme Funds	-	-	677	677	-	677	612	(65)	585
Annually managed expenditure									
New Deal 50+	-	-	-	-	-	-	-	-	-
Non Budget									
Notional charges	7,812	-	-	7,812	-	7,812	9,230	1,418	8,790
Enterprise Ulster	-	-	3,710	3,710	-	3,710	4,772	1,062	5,770
USEL	-	-	3,712	3,712	-	3,712	3,843	131	3,567
LRA	-	-	2,965	2,965	-	2,965	2,905	(60)	2,658
EU cost of capital charge	-	3,154	-	3,154	-	3,154	7,500	4,346	-
Total for RfR B	44,094	8,144	65,041	117,279	(361)	116,918	127,361	10,443	116,694
Resource outturn	57,306	5,398	623,359	686,063	(10,634)	675,429	746,441	71,012	681,198

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Explanation of the variation between Estimate and outturn (net total resources)

Request for Resources A

Lifelong Learning

Within Further Education there was an under spend (£11m 4.2%) due to a combination of factors.

In terms of grant aid to the FE sector, there was an under spend of £5.6m due mostly to delayed implementation of capital programmes at FE Colleges of £3.8m (this expenditure has been carried forward into 2006/7), together with recoupment of recurring cost under spends relating to previous years of £1.6m.

The Jobskills Programme experienced an under spend of some £1.5m (3%). The main contributing factors to this have been the achievement and retention rates during the second half of the year. This trend is also highlighted by a decrease in outturn of £0.9m (2%) on 2004/5.

Funding for Springvale has shown an under spend due to a decrease in training activities of £0.9m, together with an under spend of £1.1m on capital projects due to delays in project commencement.

In terms of other capital projects, 2005/6 shows reduced expenditure levels due to the commencement of a new project at Fermanagh College during the year. Due to delays in commencing the project, this is £0.8m behind budget in 2005/6.

Higher Education

Funding within the HE sector during 2005/6 has been £16m (6.96%) under budget.

Again, it is capital expenditure within Higher Education that has been substantially less than anticipated (£14.549m) – this has been due to slippage in build projects at the Universities and Colleges, with activity now taking place in 2006/7.

Funding to the Colleges of Education saw an increase of £7.7m (4.4%) on 2004/05. The increase was partly accounted for by an increase in recurrent grant to maintain existing levels of activity, and to implement capital projects with regard to teaching facilities.

Student Support

An under spend against budget arose in 2005/6 of £15m due to the discount and cost of capital rate being reduced from 3.5% to 2.2% in line with Treasury guidelines, together with a downward revision to the annual charge by some £8m per annum.

Education and Library Boards

Expenditure on Education and Library Boards has been £3.128m lower than budgeted mainly as a result of a reduction in successful applications for mandatory awards (£863k), the discontinuance of IPLS bursaries and postgraduate discretionary awards (£618k) and delay in implementation of a new Student Centre IT system (£1.2m).

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Request for Resources B

RfR B shows a marginal under spend of 8% overall against the estimate.

Employment Programmes has been £3.1m below budget due to a combination of factors. Some Programmes have been behind budget due to a reduction in numbers on the unemployment register, whereas other have shown slippage in terms of programme or project commencement. This has however been offset by the provision for the anticipated closure costs of Enterprise Ulster of £3.0m (notes 18 and 26). The overall outturn is therefore £0.1m below budget.

Labour market services has been under spent by £3.9m due to efficiency savings achieved in administration, delays in capital spending (now 2006/7).

Expenditure on Enterprise Ulster has been £1.062m lower than budgeted. In March 2006, the Secretary of State announced the intention to close Enterprise Ulster. Provision for the anticipated cost of closure has been made within Employment Programmes above.

There has been a reduction in notional charges against budgeted levels of £1.5m, mainly due to a reduction in accommodation charges levied by DFP.

The EU Cost of Capital Charge is some £4.3m under budget due to changes in the year end balances attributable to EU activity, and also changes in calculation of overall cost of capital charges for the Department in line with Treasury guidelines.

Detailed explanations of the variances are given in the Management Commentary.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Analysis of Net Resource Outturn by Section

	2004/05							2003/04	
								Net Total Outturn Compared With Prior Year	
	Admin £000	Other Current £000	Grants £000	Gross Resource Expenditure £000	Accruing Resources £000	Net Total £000	Net Total Estimate £000	Estimate £000	Outturn £000
Request for Resources A									
Lifelong Learning	9,457	403	237,228	247,088	(538)	246,550	250,381	3,831	224,072
Higher Education	1,620	102	198,622	200,344	(3,377)	196,967	210,353	13,386	187,393
Student Support	350	30,258	37,701	68,309	-	68,309	69,929	1,620	40,538
Executive Programme Funds	-	-	25,380	25,380	-	25,380	25,908	528	29,228
EU Programme for Peace and Reconciliation	-	-	-	-	-	-	-	-	9,300
Repayment of Loans	-	-	-	-	-	-	193	193	-
Annually Managed Expenditure									
Lifelong Learning	-	-	-	-	-	-	-	-	-
Student Support	-	-	8,153	8,153	-	8,153	8,966	813	80
Non Budget									
Teachers pre-retirement – ongoing Liabilities	-	1,213	-	1,213	-	1,213	1,214	1	1,042
Teachers pre-retirement – new Liabilities	-	308	-	308	-	308	281	(27)	509
Notional charges	1,213	-	-	1,213	-	1,213	1,382	169	1,332
Education and library boards	-	-	16,411	16,411	-	16,411	15,551	(860)	13,777
Construction Industry Training Board	-	-	-	-	-	-	1	1	-
Total for RfR A	12,640	32,284	523,495	568,419	(3,915)	564,504	584,159	19,655	507,271
Request for Resources B									
Employment Programmes	19,566	-	39,840	59,406	-	59,406	58,424	(982)	58,508
Labour Market Services	11,183	1,872	289	13,344	(499)	12,845	15,878	3,033	14,015
ESF Payments-Public and Private sector	1,921	863	10,265	13,049	-	13,049	15,865	2,816	15,606
ERDF Payments	-	-	321	321	-	321	351	30	-
EU Community initiatives	-	-	1,144	1,144	-	1,144	1,596	452	782
EU programme for peace and Reconciliation	-	-	8,559	8,559	-	8,559	8,554	(5)	5,167
Executive Programme Funds	-	-	585	585	-	585	637	52	1,671
Annually managed expenditure									
New Deal 50+	-	-	-	-	-	-	10	10	517
Non Budget									
Notional charges	8,790	-	-	8,790	-	8,790	7,257	(1,533)	7,021
Enterprise Ulster	-	-	5,770	5,770	-	5,770	5,712	(58)	4,880
USEL	-	-	3,567	3,567	-	3,567	3,657	90	3,575
LRA	-	-	2,658	2,658	-	2,658	2,655	(3)	2,515
Total for RfR B	41,460	2,735	72,998	117,193	(499)	116,694	120,596	3,902	114,257
Resource outturn	54,100	35,019	596,493	685,612	(4,414)	681,198	704,755	23,557	621,528

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

3. Reconciliation of Outturn to Net Operating Cost and Against Administration Budget

3(a) Reconciliation of Net Resource Outturn to Net Operating Cost

				2005-06 £000	2004-05 £000
	<i>Note</i>	Outturn	Supply Estimate	Outturn Compared With Estimate	Outturn
Net Resource Outturn	2	675,429	746,441	71,012	681,198
Non-supply income (CFERs)	5	(36,050)	(19,201)	16,849	(34,326)
Non-supply Expenditure	19	2,890	2,155	(735)	2,844
Net operating cost		642,269	729,395	87,126	649,716

3(b) Outturn Against Final Administration Budget

		2005-06 £000	2004-05 £000
	Budget	Outturn	Outturn
Gross Administration Budget	48,774	48,236	44,097
Income allowable against the Administration Budget	-	-	-
Net outturn against final Administration Budget	48,774	48,236	44,097

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

4. Reconciliation of Resources to Cash Requirement

		Estimate	Outturn	Net Total Outturn Compared With Estimate saving/(excess)
	<i>Note</i>	£000	£000	£000
Resource Outturn	2	746,441	675,429	71,012
Capital				
Acquisition of fixed assets		-	38	(38)
Investments		-	39	(39)
Investments – student loans funding		105,092	102,106	2,986
Non-operating Accruing Resources				
Student loan repayments applied		(18,000)	(18,000)	-
Accruals adjustments				
Non-cash items	9,10	(22,143)	(10,093)	(12,050)
Changes in working capital other than cash		-	(9,214)	9,214
Changes in creditors falling due after more than one year	17	-	(8)	8
Use of provisions	18	-	2,031	(2,031)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Net cash requirement		811,390	742,328	69,062

The variation between Estimate and net cash requirement is explained fully in the variance explanation in note 2.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

5. Analysis of Income Payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	<i>Note</i>	Forecast 2005-06		Outturn 2005-06	
		£000		£000	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		19,201	<i>19,201</i>	36,050	<i>41,299</i>
		19,201	<i>19,201</i>	36,050	<i>41,299</i>
Non-operating income and receipts – excess Accruing Resources	7	-	-	2,010	2,840
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		19,201	<i>19,201</i>	38,060	<i>44,139</i>

6. Reconciliation of Income Recorded Within the Operating Cost Statement to Operating Income Payable to the Consolidated Fund

	<i>Note</i>	2005-06	2004-05
		£000	£000
Operating income	11	46,684	38,740
Adjustments for transactions between RfRs		-	-
Gross income	11	46,684	38,740
Income authorised to be appropriated-in-aid		(10,634)	(4,414)
Operating income payable to the Consolidated Fund	5	<u>36,050</u>	<u>34,326</u>

7. Non-operating Income – Excess Accruing Resources

	2005-06	2004-05
	£000	£000
Student Loan repayments	2,010	904
Non-operating income – excess Accruing Resources	<u>2,010</u>	<u>904</u>

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

8. Staff Numbers and Related Costs

Staff costs comprise:

	2005-06 £000					2004-05 £000
	Total	Permanently Employed Staff	Others	Ministers	Special Advisers	Total
Wages and salaries	31,868	31,728	140	-	-	29,715
Social security costs	2,105	2,095	10	-	-	1,998
Other pension costs	5,447	5,447	-	-	-	3,717
Subtotal	39,420	39,270	150	-	-	35,430
Less recoveries in respect of outward secondments	(250)	(250)	-	-	-	(321)
Total net costs	39,170	39,020	150	-	-	35,109

The Principal Civil Service Pension Scheme (Northern Ireland) – PCSPS(NI)

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but the Department is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2005-06, employer's contributions of £5,447,000 were payable to the PCSPS(NI) (2004-05: £3,717,000), at one of four rates in the range 16.5% and 23.5% of pensionable pay, based on salary bands (the rates in 2004-05 were between 12 to 18.%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer's contributions of £782.61 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £52.16 were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the balance sheet date and no contributions prepaid at that date.

Uprating factor for 2005/06

The inflation adjustment factor for carrying out the calculation of the increase in real terms of the accrued pension for someone covered by the full reporting year to 31 March 2006 is 2.7%.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account.

	2005-06		2004-05			
	Number		Number			
Objective	Total	Permanently Employed Staff	Others	Ministers	Special Advisers	Total
1	406	405	1	-	-	389
2	1,216	1,202	14	-	-	1,154
Staff engaged on Capital projects	-	-	-	-	-	-
Total	1,622	1,607	15	-	-	1,543

9. Other Administration Costs

	2005-06	2004-05
	£000	£000
PFI service charges	4,488	4,156
Other expenditure	4,578	4,832
Non-cash items:		
Depreciation	125	457
Loss on disposal of fixed assets	15	17
Permanent Diminution in Value of Fixed Assets	-	7
Auditors' remuneration and expenses	107	102
Accommodation costs (DFP)	5,313	6,288
Services provided and costs incurred by the Social Security Agency	1,302	1,019
Services provided and costs incurred by the Department of Enterprise, Trade and Investment (DETI)	1,258	1,213
Other notional costs	950	900
Total	18,136	18,991

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

10. Programme Costs

	<i>Note</i>	2005-06 £000	2004-05 £000
PFI service charges		-	-
Current grants and other current expenditure		627,608	600,074
Non-voted expenditure: Redundancy Fund payments		2,890	2,844
Non-cash items:			
RRI Interest	19	-	40
Enterprise Ulster Provision	18	3,014	-
Early Retirement Provision	18	185	22
Student Loan Interest	14	(15,421)	(12,276)
Student Loan Admin Fee	14	-	346
Student Loan Adjustment	14	-	(2)
Student Loan Adjustment to Opening Accounting Estimate	14	(2,960)	-
Student Loan Balance Transfer	14	(1)	(10)
Student Loan inflation adjustment	19	13,246	8,123
Cost of Capital Charges		13,415	16,911
Use of Provisions	18	(17,954)	9,057
Unwinding of discount on provisions	18	7,625	9,227
Total		631,647	634,356

RRI 2005/06 £131k included within cost of capital £13,570k.

11. Income

	RfR A	RfR B	2005-06 £000	2004-05 £000
Admin	-	115	115	85
Programme	454	361	815	1,185
Science Research Investment Fund	9,819	-	9,819	3,377
EU	-	35,935	35,935	34,093
Total	10,273	36,411	46,684	38,740

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

12. Analysis of Net Operating Cost by Spending Body

		2005-06 £000	2004-05 £000
	Estimate	Outturn	Outturn
Spending body:			
Department	717,875	631,882	637,721
Non-departmental Public Bodies	11,520	10,387	11,995
	<hr/>	<hr/>	<hr/>
Net Operating Costs	729,395	642,269	649,716

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

13. Tangible Fixed Assets

	Land and Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or valuation				
At 1 April 2005	51,145	264	356	51,765
Additions	-	34	4	38
Transfers	(46,785)	-	-	(46,785)
Disposals	-	(97)	(31)	(128)
Revaluations	415	38	(18)	435
At 31 March 2006	4,775	239	311	5,325
Depreciation				
At 1 April 2005	-	245	110	355
Charged in year	49	45	31	125
Disposals	-	(95)	(18)	(113)
Revaluations	(49)	33	(7)	(23)
At 31 March 2006	-	228	116	344
Net book value at 31 March 2006	4,775	11	195	4,981
Net book value at 31 March 2005	51,145	19	246	51,410
Asset financing				
Owned	4,775	11	195	4,981
On-balance sheet PFI contracts	-	-	-	-
Net book value at 31 March 2006	4,775	11	195	4,981

Information Technology and Furniture and Fittings are valued using indices.

Valuation and Lands Agency carried out an interim valuation of Land and Buildings at 31 March 2006 based on the last full valuation at 31 March 2005.

During the year the Department benefited from additional supply monies of £29.483m which were made available through the Strategic Investment Programme (part of the Reinvestment and Reform Initiative). These monies were used to fund £15.5m grants to bodies to support infrastructure additions etc.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

14. Investments

A. *Ulster Supported Employment Limited loan*

	2005-06 £000	2004-05 £000
Balance at 1 April 2005	2,195	2,125
Additions	<u>39</u>	<u>70</u>
Balance at 31 March 2006	<u>2,234</u>	<u>2,195</u>

The loan to Ulster Supported Employment Limited is interest free and is secured by a charge on the company's undertakings and properties under a debenture dated 22 March 1963.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

B. Student Loans

	2005-06 £000	2004-05 £000
Balance at 1 April 2005	601,072	514,869
Adjustment to opening accounting estimate	2,960	-
Adjustment	-	2
Additional loan funding	100,254	95,248
Repayments	(19,877)	(20,833)
Repayment of teachers loans (RTL)	(133)	(71)
Administration	-	(346)
Written off	(205)	(83)
Transfer value	-	-
Balance transfer	1	10
Interest added	15,421	12,276
Increase in student loans outstanding	<u>98,421</u>	<u>86,203</u>
Balance at 31 March 2006	<u>699,493</u>	<u>601,072</u>

The Student Loans Company Limited issues loans on behalf of the Department for Education and Skills (in England and Wales), the Scottish Executive and DEL.

The split of total loans between the three Departments is provided by the Student Loans Company.

Interest is applied to student loans receivable at rates necessary to maintain the value of the loans in real terms. The estimated share of interest attributable to Northern Ireland students added to the outstanding loan balance during the year was £15,421,000 (2004-05: £12,276,000).

As outlined in note 21(b), student loan cash advances for the year were £102,106,000.

The figures above include repayments relating to the DFES pilot initiative called the Repayment of Teachers Loans Scheme (RTL) which was set up in 2002-03 and will run until 2005-06. Under the terms of the scheme DFES meets the cost of repaying newly qualified teachers student loans if they meet certain criteria.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Student Loans Subsidy

The Operating Cost Statement includes the following charges and (credits) in relation to student loans:

	2005-06 £000	2004-05 £000
Change in opening accounting estimate	(27,089)	-
Unwinding of discount	7,625	9,227
Adjustment to provisions	(504)	(854)
Provision release	(14,184)	(17,272)
Movement on provision	21,253	27,183
General inflation adjustment on loans	13,246	8,123
Interest added to student loans	(15,421)	(12,276)
SLC administration	-	-
Adjustment	-	(2)
Balance transfer	<u>(1)</u>	<u>-</u>
	<u>(15,075)</u>	<u>14,129</u>

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

15. Debtors

15(a) Analysis by Type

	2005-06 £000	2004-05 £000
Amounts falling due within one year:		
VAT	549	626
Other debtors	12,199	10,172
EU Debtor	81,985	88,519
Sundry CFER	-	28
Prepayments and accrued income	13,434	14,178
Less: Provision for doubtful debts	(313)	(422)
Amounts due from the Consolidated Fund in respect of supply	5,099	6,868
Due from the National Insurance Fund	961	1,069
	113,914	121,038

	2005-06 £000	2004-05 £000
Amounts falling due after more than one year:		
Other debtors	1,500	2,035
	1,500	2,035

EU grant income is recognised by the department in the Operating Cost Statement but as it is CFER income, it is not reflected in the Statement of Parliamentary Supply with EU receipts remitted to the Consolidated Fund. The department has reviewed the level of debtors in respect of EU grant income receivable for the period 1994 to date. This has resulted in a reduction in debtors of £7,160,659, which is reflected in the 2005/06 debtor balance. This adjustment has arisen due to a combination of amounts due to the CFER account being processed through other departments and restatements of the intervention rates used by the Commission when calculating the final monies due. The amount of £5,517,911 is no longer receivable as it was processed through other departments.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

15(b) Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2005-06 £000	2004-05 £000	2005-06 £000	2004-05 £000
Balances with other central government bodies	10,017	7,537	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<i>Subtotal:</i> intra-government balances	10,017	7,537	-	-
Balances with bodies external to government	103,897	113,501	1,500	2,035
Total debtors at 31 March 2006	113,914	121,038	1,500	2,035

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

16. Cash at Bank and in Hand

	2005-06 £000	2004-05 £000
Balance at 1 April 2005	(3,947)	10
Net change in cash balances	2,793	(3,957)
Balance at 31 March 2006	<u>(1,154)</u>	<u>(3,947)</u>

The following balances at 31 March were held at:

	2005-06 £000	2004-05 £000
Commercial banks and cash in hand	(1,154)	(3,947)
Balance at 31 March 2006	<u>(1,154)</u>	<u>(3,947)</u>

17. Creditors

17(a) Analysis by Type

	2005-06 £000	2004-05 £000
Amounts falling due within one year		
Other creditors	14,289	20,038
Accruals and deferred income	38,150	23,865
Sundry CFERs	-	-
Amounts due to the Consolidated Fund in respect of CFERs	81,985	88,519
Amounts due to National Insurance Fund	26	1,133
Bank overdraft	1,165	3,956
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	3,945	2,921
Receivable	1,364	2,194
	<u>140,924</u>	<u>142,626</u>
Amounts falling due after more than one year		
Creditors	<u>520</u>	<u>512</u>

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

17(b) Intra-Government Balances

	Amounts Falling Due Within One Year		Amounts Falling Due After More Than One Year	
	2005-06 £000	2004-05 £000	2005-06 £000	2004-05 £000
Balances with other central government bodies	91,416	95,903	-	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<i>Subtotal: intra-government balances</i>	91,416	95,903	-	-
Balances with bodies external to government	49,508	46,723	520	512
Total creditors at 31 March 2006	140,924	142,626	520	512

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

18. Provisions for Liabilities and Charges

	Early Departure Costs £000	Enterprise Ulster £000	Student Loan Debt Sale Costs £000	Student Loan Deferment and Default Costs £000	Student Loan Interest Subsidy £000	Total £000
Balance at 1 April 2005	288	-	27,019	60,103	108,882	196,292
Adjustment opening balance	-	-	3,714	-	(28,233)	(24,519)
Increase/(Decrease) in provision	185	3,014	(504)	4,110	17,143	23,948
Provision release	-	-	-	-	(14,184)	(14,184)
Bad debts previously provided for and written off in year	-	-	-	(205)	-	(205)
Early retirement payments	(187)	-	-	-	-	(187)
Debt subsidy payments	-	-	(1,844)	-	-	(1,844)
Unwinding of discount	-	-	946	2,852	3,827	7,625
Balance at 31 March 2006	286	3,014	29,331	66,860	87,435	186,926

The Department has revalued all discounted provisions created prior to the 1 April 2005 due to the change in cost of capital rate from 3.5% to 2.2%.

Early departure costs

The early retirement provision has been created to meet the Department's liabilities in respect of employees who retire early until they reach normal pensionable age.

Student loan debt sale costs

The student loan debt sale provision is the additional cost to the Department of subsidies contractually due to the purchaser of the debts beyond the cost that the Department would have incurred had the debts remained in the public sector.

Student loan deferment and default costs

The student loans deferment provision was created to meet the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year, the provision is adjusted in light of estimates of future write-offs made by the Student Loan Company (who administer student loans on a UK-wide basis).

Student loan interest subsidy

Student loans are effectively interest free as students are only charged interest equivalent to the rate of inflation. The Department meets the costs resulting from the difference between the interest paid by students and the cost of capital, which is known as the interest subsidy. The interest subsidy provision meets the cost of the interest over the life of the loan.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

Enterprise Ulster

On 21 March 2006, the Secretary of State announced that as part of the Review of Public Administration, Enterprise Ulster would close. It is anticipated that this will take place in March 2007. The Department is currently working with Enterprise Ulster and the Department of Finance and Personnel in order to quantify the relevant assets and liabilities, and how these are to be brought back into the Department. A provision has been created in order to meet the Department's estimated liabilities in respect of the closure of the organisation.

19. General Fund

	2005-06 £000	2004-05 £000
Balance at 1 April 2005	432,254	360,143
Prior period adjustment	1,407	2,033
	<u>433,661</u>	<u>362,176</u>
Net parliamentary funding – current year		
Draw down	737,103	708,501
RRI	-	26
National Insurance Fund	2,890	2,844
Year end adjustment		
- Supply Debtor – current year	5,099	6,868
Transfer of assets to the Department	-	2,250
Net transfer from operating activities		
- Net operating cost	(642,269)	(649,716)
- CFERS repayable to consolidated fund	(38,060)	(35,230)
Non cash charges		
- Notionals	8,823	9,420
- Cost of capital	13,415	16,911
- Auditors remuneration	107	102
- Student loan inflation	13,246	8,123
Transfer from revaluation reserve	5,520	-
Transfer of assets from the Department	(46,785)	(21)
	<u>492,750</u>	<u>432,254</u>
General Fund at 31 March 2006		

Under the Reinvestment and Reform Initiative, loans were made available to the Northern Ireland Block. These loans were paid to Departments as increased supply via the NI Consolidated Fund. In order to make interest repayments on these loans the NI Consolidated Fund must annually retain an amount of supply that would otherwise be issued to Departments. For 2005-06 a further £126,000 (2004-05 £26,000) was due to the Department but was not actually issued in order to pay

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

for the interest on loans applicable to this Department. This interest charge has been included in the net cash requirement of the Department.

20. Reserves

20(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	2005-06 £000	2004-05 £000
Balance at 1 April 2005	6,075	250
Arising on revaluation during the year (net)	458	5,825
Transferred to general fund in respect of realised element of revaluation reserve	(5,520)	-
Balance at 31 March 2006	1,013	6,075

21. Notes to the Consolidated Cash Flow Statement

21(a) Reconciliation of Operating Costs to Operating Cash Flows

	<i>Note</i>	2005-06 £000	2004-05 £000
Net operating costs	12	642,269	649,716
Adjustments for non-cash transactions	9,10	(10,219)	(41,441)
(Increase)/decrease in debtors		(7,659)	13,726
Less movements in debtors relating to items not passing through the OCS		(2)	(1,661)
(Increase)/decrease in creditors		(1,097)	(9,644)
Less movements in creditors relating to items not passing through the OCS		34,831	33,714
Use of Provisions	18	2,031	2,124
Net cash flow from operating activities		660,154	646,534

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

21(b) Analysis of Capital Expenditure and Financial Investments

	<i>Note</i>	2005-06 £000	2004-05 £000
Tangible fixed assets additions	13	38	63
Loans to other bodies	14	39	70
Student Loan Funding	14	102,106	92,500
(Repayments) to other bodies – Student Loans	14	(20,840)	(20,412)
Net cash outflow from investing activities		81,343	72,221

21(c) Analysis of Capital Expenditure and Financial Investments by Request for Resources

	Capital Expenditure £000	Loans etc £000	Accruing Resources £000	Net Total £000
RfR A	-	81,266	-	81,266
RfR B	38	39	-	77
Subtotal	38	81,305	-	81,343
Net movement in debtors/creditors	-	(1,022)	-	(1,022)
Total 2005-06	38	80,283	-	80,321
Total 2004-05	63	74,414	-	74,477

21(d) Analysis of Financing

	<i>Note</i>	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) – current year	19	737,103	708,501
From the Consolidated Fund (Supply) – prior year		6,868	5,299
From the National Insurance Fund	19	2,222	2,531
Net financing		746,193	716,331

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

21(e) Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

	<i>Note</i>	Mar 06 £000	Mar 05 £000
Net cash requirements		(742,328)	(715,370)
From the Consolidated Fund (Supply) – current year	19	737,103	708,501
From the Consolidated Fund (Supply) – prior year	21	6,868	5,299
Amounts due to the Consolidated Fund – received in a prior year and paid over		(1,830)	(1,419)
Amounts due to the Consolidated Fund – received and not paid over	3	2,854	560
Adjustment to Reflect Treatment of Inter Departmental Balance		-	(2,808)
Adjustment to Reflect Prior Year		-	1,300
Interest on RRI loans paid by the Consolidated Fund on behalf of the Department		126	-
Other		-	(20)
Increase/(decrease) in cash		2,793	(3,957)

22. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditures have been allocated as follows:

	2005-06 £000	2004-05 £000
Objective 1	555,572	555,779
Objective 2	76,075	78,577
Total	631,647	634,356

Capital Employed by Departmental Aim and Objectives at 31 March 2006

	2005-06 £000	2004-05 £000
Objective 1	504,420	444,905
Objective 2	(10,657)	(6,576)
	493,763	438,329

The Department's capital is employed mainly for programme purposes. Administration costs, programme grants and other current costs have been attributed to objectives in accordance with the Department's normal management accounting practices, wherever possible.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

23. Capital Commitments

	2005-06 £000	2004-05 £000
Contracted capital commitments at 31 March 2006 for which no provision has been made	-	-

24. Commitments under PFI contracts

In May 1998 the Training and Employment Agency (now part of the Department) entered into a PFI contract with ICL Limited for information technology support services for a ten-year period.

24.1 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions was £4,487,934 (2004-05: £4,155,629).

Payments to which the Department is committed during 2005-06, analysed by the period during which the commitment expires, are as follows:

	2005-06 £000	2004-05 £000
Expiry within two to five years	5,600	5,600
Expiry within six to 10 years	-	-
	5,600	5,600

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

25. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government Departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department does not borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been omitted from this note.

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. It is not, therefore, exposed to significant liquidity risks.

Interest rate risk

The Department accounts for a share of the UK total of Student Loans administered by the Student Loan Company Ltd. The Department meets the difference between the interest paid by students and the real cost of loan capital and is therefore exposed to an interest rate risk. The risk is managed within voted funding provision. Apart from this, the Department is not exposed to significant interest rate risk.

Foreign currency risk

The Department's main exposure to foreign currency risk is in relation to the impact of movements in the euro on claims made to the European Union. The Department does not enter into forward currency contracts and the risk is managed within voted funding provision. Apart from this, the Department's exposure to foreign currency risk is not significant.

Fair values

The Department accounts for a share (£699,493,000) of the UK total of student loans administered by the Student Loan Company Ltd. Because this share cannot be attributed to individual students' loans, it is not practical to estimate the fair value of the Northern Ireland share of total loans with sufficient reliability.

The Department's loan to Ulster Supported Employment Ltd (£2,234,000) neither pays interest nor has a maturity date and is secured by a charge on the company's undertaking and property. It is not regarded as tradable on an organised market in a standard form as it is an integral part of the Department's involvement in training and employment for the disabled. Accordingly, it is not practical to estimate a fair value with sufficient reliability.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

26. Contingent Liabilities

(i) As part of the arrangements for the transfer of training centres to Further Education Colleges, the Department agreed that, for staff transferred who become redundant in the future, it would fund any difference between their redundancy payment and that which they would have received had they remained in the Northern Ireland Civil Service.

Due to the inherent uncertainty as to the amount and timing of the future redundancy payments the Department has underwritten, it is not practical to quantify the potential liability that might arise from this undertaking.

(ii) On 21 March 2006, the Secretary of State announced that as part of the Review of Public Administration, Enterprise Ulster would close. It is anticipated that this will take place in March 2007. The Department are currently working with Enterprise Ulster and the Department of Finance and Personnel in order to quantify the relevant assets and liabilities, and how these are to be brought back into the Department. A provision has been created in order to meet the Department's estimated liabilities in respect of the closure of the organisation.

A major component of the total future liability is represented by the cessation charge for the Northern Ireland Local Government Officers Superannuation Scheme Committee (NILGOSC) pension scheme. The total provision in these accounts of £3.014m includes an estimate of £2.1m arrived at by the Government Actuary's Department. It should be noted that an independent actuary appointed by NILGOSC has arrived at a cost of £6.4m.

The Department has provided for the amount advised by Government Actuary's Department, as it represents the amount that the Department would reasonably expect to pay in order to settle the liability, based on the information at hand.

The Department has no other material contingent liabilities, including those not required to be disclosed under FRS 12 but which would require disclosure for Parliamentary reporting and accountability purposes.

27. Losses and Special Payments

27(a) Losses Statement

	No of cases	2005-06 £000	2004-05 £000
Cash losses	368	553	61
Claims abandoned	-	-	-
Administrative write-offs	-	-	-
Fruitless Payments	2	51	-
Stores losses	-	-	-
Total	370	604	61

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

27(b) Special Payments

	No of Cases	2005-06 £000	2004-05 £000
	-	-	8
Total	-	-	8

In the 2004/05 Resource Accounts, the Department noted (at note 25 Losses and Special Payments) that it was seeking to recover debts for ILA providers estimated to be in the region of £0.5 million. Having carried out extensive review and investigations, the department now estimates the amount of this loss to be £380,737, based on extrapolation. These have been included in the losses statement above.

28. Related-party Transactions

The Department sponsors the Labour Relations Agency, Enterprise Ulster, Ulster Supported Employment Limited, the Construction Industry Training Board NI and the Student Loan Company Limited. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department has had a number of material transactions with other government departments and other central government bodies. Most of these transactions have been with DETI, the Social Security Agency and DFP.

No Minister, board member, key manager or other related party has undertaken any material transactions with the Department during the year.

29. Third-party Assets

The Department acts as agent for the Northern Ireland National Insurance Fund in relation to various aspects of the Employment Rights (Northern Ireland) Order 1996. The transactions and balances arising are reflected in the accounts of the Northern Ireland National Insurance Fund and are not included in these financial statements.

At 31 March 2006, amounts recoverable by the Northern Ireland National Insurance Fund in respect of the activities not included in these accounts were £17,169,000 (2004-05: £16,150,000).

30. Entities Within the Departmental Boundary

These accounts comprise the accounts of the core Department.

The accounts of Enterprise Ulster (a public corporation), Ulster Supported Employment Limited (a company limited by guarantee), the Labour Relations Agency (a non-departmental public body) and the Construction Industry Training Board NI (a Statutory Training Organisation), all of which are sponsored by the Department, are not included by way of consolidation.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS
for the year ended 31 March 2006

The accounts of the SLC (a company limited by guarantee and controlled jointly by the Department for Education and Skills, the Scottish Executive and DEL) are also not included by way of consolidation.

Financial information about each of the above entities may be obtained from their separate published annual reports and accounts.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Annex 1

Detailed Report on Department Performance Targets in 2005/06

Departmental Performance Target 2005/06	Performance Against Targets 1 April 2005 - 31 March 2006	Comments on achievement, including any deviation from targets
By autumn 2005, publish a finalised Skills Strategy and implementation plan	Action achieved	Implementation plan including defined Themes and Projects is in draft stage. This will feed into finalised Strategy Document. Delay is relatively minor and allows for the inclusion of important amendments. The Skills Strategy will be launched on 28 February 2006.
By March 2006, to ensure that, in collaboration with the SSDA, at least 4 Sector Skills Councils complete Sector Skills Agreements for Northern Ireland	Action on track for achievement	Only stages 1 to 3 of the Sector Skills Agreements for the 4 Pathfinder Sector Skills Councils will be achieved by the end of March 2006.
By March 2006, to have published the Northern Ireland Skills Monitoring Survey 2005	Action likely to be achieved but with some delay	Fieldwork for the Survey took longer than expected due to difficulties experienced by the Central Survey Unit. The revised date for publication is now September 2006.
By March 2006, 52% of trainees who commenced a Jobskills Traineeship in 2002/03 will achieve an NVQ Level 2 (the 2001/02 maximum outturn achievement is estimated to be 49%)	Action achieved	Target Achieved -Currently 2002/03 cohort Traineeship achievement rate =55% (Target is 52%)
By March 2006, 42% of trainees who commenced a Jobskills Modern Apprenticeship in 2000/01 will achieve an NVQ Level 3 (the 1999/00 maximum outturn achievement is estimated to be 40%)	Action substantially achieved	Currently 2000/01 Cohort Modern Apprenticeship Achievement Rate = 39% (Target is 42%) so target will be substantially achieved as a significant percentage (93%) of target has been completed in line with Programme for Government Commitment.
By March 2006, to have completed an evaluation of the Jobskills Programme, to feed into a wider re-configuration of training provision for 16 to 19 year olds	Action achieved	A comprehensive review of the Jobskills Programme is currently in hand where the views of a variety of interested persons/bodies have been taken into consideration and, following consultation, will form the basis of reconfiguring the new programme.
During 2005/06, to have 350 existing managers participating on the Management and Leadership Development Programme.	Action unlikely to be achieved	284 existing managers have completed training on the programme at 31st March 2006. Some Management and Leadership Development programmes commenced 04/05 finished in 05/06 financial year. This led to the suspension of the programme for 3 months from 1 Sept 05 to 31 st Dec 05 as our spend had been reached.
During 2005/06, to support 500 graduates/undergraduates through entry into management initiatives.	Action achieved	615 trainees have graduated from programmes to end March '06. A further 186 are still in training.
During 2005/06, to have 125 new recognitions of the IiP standard	Action achieved	172 new recognitions achieved to end Mar '06
During 2005/06, to have 120 renewals of the IiP	Action achieved	120 renewals to the end of Mar '06

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Departmental Performance Target 2005/06	Performance Against Targets 1 April 2005 - 31 March 2006	Comments on achievement, including any deviation from targets
standard		
During 2005/06, to have 200 new commitments to work towards the LiP standard	Action unlikely to be achieved	90 commitments recorded to end Mar '06. Marketing plan under review.
By March 2006, to have defined all age entitlement to Careers Information, Advice and Guidance, and to review delivery mechanisms for these services	Action on track for achievement	The development of a new strategy for Careers Guidance has now been expanded to include Careers Education (with DE). Future Search consultation took place in March 2006. The new Strategy will be developed for wider consultation by June 2006.
By March 2006, to have supported 15 organisations towards accreditation of the "matrix" quality standard in Information, Advice and Guidance	Action substantially achieved	13 Organisations have participated in advisory workshops from December 2005 through to March 2004 (4 workshops in total). Organisations will have until June 2006 to achieve accreditation.
During 2005/06, to offer appropriate careers guidance interventions to all 13 to 19 year olds, with a priority focus on those young people vulnerable to social exclusion	Action achieved	All Service Level Agreements have been signed and delivery arrangements completed to 31 March 2006.
To ensure that by March 2006 at least 35% of trainees who commenced a Jobskills Traineeships in 2003/04 will progress into Employment with a further 25% progressing into Further Education or Training [i.e. a minimum of 60% of trainees progressing to a positive outcome]	Action achieved	Currently 2003/04 Cohort Traineeship Progression to Employment Rate = 34% (Target is 35%). Progression to Further Education Rate = 30%. (Target is 25%), Total Positive Progression Rate = 63% (Target is 60%) Overall Target (min of 60% of trainees progressing to a positive outcome met as have achieved 63%)
By March 2006, to train 500 unemployed people on 'Bridge to Employment' courses, 400 of whom will be offered employment	Action Achieved	To date, 503 unemployed people have been trained on Bridge to Employment courses and to date 456 people have been placed into employment. [90% placement]
By March 2006, to have developed an e-learning strategy to support widening access and to enhance the information and communication technology skills of the NI workforce	Action on track for achievement	Consultation document to inform the Strategy published on 6th April 2006. Strategy will be launched 1 June 2006
In line with the Reform of Vocational Qualifications, by March 2006, to have established a new unit based Credit Framework that is capable of supporting reformed qualifications	Action achieved	A new unit based credit Framework has been developed. It will undergo testing and trialling with reformed qualifications and real learners until July 2008.
By July 2005, to have developed a plan for the implementation of the FE sector's new size and structure	Action achieved	The new six-college structure for the FE sector was announced by the Minister on 6 September 2005. A project plan and risk register has been produced for the implementation of the new structure, which will be in all new colleges by the start of the 2007/08 academic year at the latest.
By March 2006, to have developed draft proposals for a new funding model for the FE sector	Action achieved	Principles of new funding formula to support implementation of new six college structure agreed.
By March 2006, to have developed draft proposals in a number of policy areas, for example strategic partnerships between FE	Action substantially achieved	Draft policy proposals developed for Access & Engagement (A&E) Sector engagement in line with FE Means Business. Draft proposals

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Departmental Performance Target 2005/06	Performance Against Targets 1 April 2005 - 31 March 2006	Comments on achievement, including any deviation from targets
Colleges and the Voluntary and Community sector; the role for Centres of Excellence with FE; and appropriate performance measures for the FE sector		developed for the FE sector and V&C sector in relation to Economic Engagement, incorporating the role of Centres of Excellence and appropriate performance measures for the FE sector. Both draft proposals being prepared to submit to DEL Board.
By December 2005 to have developed proposals to support the implementation of the curriculum recommendations as outlined in FE Means Business	Action likely to be achieved but with some delay	Initial data gathering exercise proved problematic. Data gathering and analysis now progressing which will inform the new policy.
By March 2006 to increase the percentage of further education students gaining full or unit passes at Levels 2 to 4 to 73% compared with 66% at end of 2000/01	Action on track for achievement	This target has now been slightly exceeded, with a pass rate of 73.4% having been achieved.
By March 2006 to increase the percentage of further education students gaining full or unit passes at Levels 3 to 4 to 75% compared to 68% at end of 2000/01	Action on track for achievement	This target has now been met, with a pass rate of 75% having been achieved.
By September 2005, in conjunction with DE, to have agreed and implemented further pilot curriculum models within the Further Education and schools sectors, to support the entitlement framework	Action achieved	New pilot models implemented successfully in September 2005
By August 2006, 4,000 learners will have achieved a recognised Essential Skill qualification	Action achieved	From 1.4.05 to 31.1.06 5719 learners have achieved an Essential Skills qualification in Literacy or Numeracy or both.
During 2005/06 to work with the Equality Commission for Northern Ireland on the introduction of a Code of Practice on the interpretation of SEND on post-16 provision	Action achieved	Code laid and came into operation in January 2006
By March 2006, to increase representation of people from the lowest socio economic classifications (SEC 5 to 7) among entrants to higher education, from the 2004/05 figure of 25.5%. (45.1% of the Northern Ireland population fall into SEC 5 to 7)	Action achieved	HESA statistics confirm that the figure has risen from 25.5% to 26.1%.
During 2005-06, strengthen the involvement of employers, not least through sector skills bodies in the development and delivery of a wider range of foundation degrees	Action achieved	Have met with over 2/3 of the Sector Skills Councils regarding Foundation Degrees and responded to contacts from key employers. Engaged formally through SSA Project Board.
By the end of 2005/06, £22 million worth of projects supported by the Science Research Investment Fund will have been brought into operation	Action substantially achieved	Investment to date currently anticipated to be £20m+.
In 2005/06, to invest a further £8 million into the university research infrastructure through the Support Programme for University Research	Action substantially achieved	Investment for FY 2005/06 currently anticipated to be £7m+.
By October 2005, to have commenced a review of current instruments for the funding of university research	Action achieved	Preliminary consultation with NIHEC already initiated.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Departmental Performance Target 2005/06	Performance Against Targets 1 April 2005 - 31 March 2006	Comments on achievement, including any deviation from targets
During 2005/06, initiate a fund to promote knowledge transfer through closer collaboration between the higher and further education sectors	Action likely to be achieved but with some delay	Cleared by Minister. Consultation paper send out to interested parties at the end of February. Deadline for comments end April.
By June 2005, to have primary legislation in place to implement new arrangements for increasing higher education funding through the introduction of variable deferred tuition fees in the 2006/07 academic year	Action achieved	
By June 2005, to have new arrangements finalised to implement policy on the deferral of tuition fees through the introduction of fee loans and revised student support arrangements	Action achieved	
By March 2006, to procure the development of a new IT system to support the administration of student finance arrangements from the 2006/07 academic year onwards	Action on track for achievement	Subject to DFP approval of final Implementation Report and Business Case which is expected by end of March 2006 (delay due to DfES finalising DEL financial contribution to shared projects).
By September 2005, extend Educational Maintenance Allowances (EMAs) to 16 and 17 year olds, to support their retention in full time education	Action achieved	
To incorporate Stranmillis University College by 1 October 2005	Action achieved	Stranmillis College was incorporated with effect from 1 October 2005.
By March 2006, complete accommodation upgrades and implement the Jobs and Benefits process in 25 co-located JobCentres and Social Security Offices	Action achieved	The Jobs and Benefits process has now been implemented in 25 co-located JobCentres and Social Security Offices
During 2005/06, assist 7800 working age benefit customers into job vacancies notified to the Department's Employment Service	Action on track for achievement	Due to the decreasing JSA Register we are now dealing with those clients with greatest barriers. 6493 have been assisted up to the end of March 06.
During 2005/06, assist 2600 New Deal participants to move from Welfare to work	Action likely to be achieved but with some delay	2259 New Deal Participants have been assisted up to the end of March 06.
During 2005/06, 60% of working age benefit customers will have a Work Focused Interview within 5 working days of becoming eligible for a Work Focussed Interview	Action unlikely to be achieved	Performance to end of March 06 is 49.5%. This reflects the high numbers of people who simply fail to attend appointments.
During 2005/06 20% of job vacancies notified to the Employment Service will be received via the Department's electronic "Employers Online" facility	Action on track for achievement	Performance to end of March 06 is 17.2%
During 2005/06 80% of vacancies received by the Employment Service will be filled within 6 weeks of the closing date for receipt of applications	Action on track for achievement	Performance to end of March 06 is 86.3%
By March 2006, to have reviewed the services available to employers and begun implementation of improvements	Action achieved	Work on the review has now been completed and the future policy direction determined. Work has begun on implementation
By March 2006 to have consulted with the disability sector about the Department's programmes and services for people with disabilities	Action achieved	Consultation completed and final report being prepared by disability organisations.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Departmental Performance Target 2005/06	Performance Against Targets 1 April 2005 - 31 March 2006	Comments on achievement, including any deviation from targets
During 2005/06, assist 550 disabled people in receipt of benefit into employment	Action achieved	Achievement of 572 people from benefits into work in year ending March 06.
By December 2005, introduce pilot programmes in three areas to assist recipients of incapacity benefits into work	Action achieved	Pilots went "live" on 3 October as planned. All elements of the choices package are now available.
By October 2005, complete an interim evaluation of the approaches used in the Targeted Initiative areas	Action achieved	Achieved, with slight in-year slippage. Final draft report received December 05.
By March 2006, develop an outline strategy for a more targeted approach to helping people into work	Action achieved	First draft of strategic outline business case and project plan produced. Next steps to be discussed and agreed with HOD. Discussions ongoing between DEL and DSD re. widening of provision to include IB claimants.
By March 2006, to raise awareness of new regulations governing the conduct of employment agencies and businesses, and introduce powers to allow the Department to enter and inspect premises used in connection with these businesses.	Action achieved.	2005 Conduct Regs - All awareness activities were completed in Autumn 2005. These included public advertisements, ministerial press release, mailshot to affected parties and the publication/distribution of a range of guidance material, including translation of work-seeker guide into Polish, Portuguese, Russian, Tetum and Lithuanian. Employment (Miscellaneous Provisions) (NI) Order 2005 - contains provisions that came into effect in mid-January 2006 which provide the Department with the necessary powers of entry to and inspection of employment agencies and employment businesses.
By July 2006, to have facilitated the production of an inaugural OITFET annual report	Action on track for achievement	Fujitsu have provided OITFET with a specification for the additional information required to produce an annual report.
To reduce waiting times in the discrimination jurisdictions, from tribunal application being received by the tribunals to the parties being offered a full hearing, by 10% year on year. Baseline figure for April 2005 is 26 months	Action on track for achievement	An audit of year 2004 discrimination cases has been completed. These cases have been / or will be subject to Case Management Discussions (CMD's) between Sept 05 - May 2006. and all such cases are being offered a full hearing date in year 2006.
To have effective strategy with policies and procedures in place to ensure that the Department complies with the full implementation of the Freedom of Information Act 2000, which came into effect in January 2005	Action achieved	The FOI act has now been in place for over a year and our experience to date demonstrates that the policies and procedures in place are working well
By March 2006, to reduce staff absenteeism from 7% to 6%	Action on track for achievement	Unadjusted year to date figure 6.3% at end of January 2006. Likely adjusted figure to fall within target range. Final result not known until late April - early May 2006.
By March 2006, as part of our contribution to "fit for purpose" to reduce the number of whole time equivalent staff by 20	Action achieved	25.88 posts achieved
During 2005/06, the Department will continue to meet its obligations under Section 75 of the Northern Ireland Act 1998 and will also ensure	Action achieved	Equality screening and proofing amendments continue to be carried out on the various strands of the skills and Further Education Strategies.

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Departmental Performance Target 2005/06	Performance Against Targets 1 April 2005 - 31 March 2006	Comments on achievement, including any deviation from targets
that the various impact assessments are carried out in new or changing policies, particularly in relation to policy development on the Skills Strategy and the Further Education Strategy		

Report on PSA Targets

PSA TARGET	COMMENTS ON ACHIEVEMENT
1. To increase the percentage of working age people qualified at Level 2 or above from 63% in summer 2003 to 68% in spring 2007 ¹ .	By Winter 2005/06, 65% of the working age population in Northern Ireland were qualified at Level 2 or above.
2. To increase the percentage of working age people qualified at Level 3 or above from 45% in summer 2003 to 47% in spring 2007 ^{2 3} .	By Winter 2005/06, 46% of the working age population in Northern Ireland were qualified at Level 3 or above.
3. By 2007, 18,500 people will have achieved a recognised qualification in Essential Skills compared to 100 in March 2003.	A total of 12,425 qualifications have been achieved up to 31 March 2006.
4. By 2008, make progress, year on year, towards fair access to higher education.	In 2005/06 the representation of people from the lowest socio-economic classifications (SEC 5 to 7) among entrants to higher education was 26.1%. This was an increase from the 2004/05 baseline figure of 25.5%. 45 % of the Northern Ireland population fall into the classifications 5 to 7.
5. To contribute to combating poverty by modernising our service and supporting people to move from welfare to work.	During the 2005-06 year, DEL helped 6,949 people into work. This figure does not include those Jobskills trainees who progressed into employment from training. To date, 25 offices are operating a joint service with the Social Security Agency. There have been further enhancements to JobCentre Online, including access to vacancies throughout Europe. Further developments to Employers Online mean that employers now have improved access to the labour force.

¹ Progress against target is measured using data from the Labour Force Survey (LFS). Qualification levels 2 and 3 are defined according the National Qualification Framework (NQF) definition.² Due to a downward revision in the Labour Force Survey caused by re weighting of population estimates, the

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

base for this target has been revised down from 46% to 45%. The target has similarly been revised downwards by one percentage point.

³ The Labour Force Survey, like other sample surveys is subject to statistical margins of error. This limits the extent to which the Department can report progress against targets with confidence. In statistical terms, the Standard Error (at the 95% confidence level) associated with the above monitoring figures is 1.7%.

Efficiency Programme

The Department delivered year one of its three year efficiency programme culminating in £8.9 resource releasing and £9.4m non-resource releasing efficiencies. £18.3m in total. These were achieved through:-

- Reductions in administration costs;
- Delivery of a new suite of New Deal programmes;
- Replacing Worktrack with a more flexible scheme;
- Holding Jobskills prices steady at 2004/05 rates;
- Revised funding arrangements for Enterprise Ulster;
- Replacing Management Development initiatives, Learndirect programme, NI Business Education Programme with more efficient alternatives; and
- Delivering year on year efficiency savings in FE delivery costs.

YOUR COMMENTS

Annex 3

Annual Report and Accounts 2005-06

As part of the Department for Employment and Learning's continuing process to improve the service we provide to our customers, we value your opinion on our products and services. We would be interested to receive your comments on the 2005/2006 Annual Report and Accounts.

Please use the tick box questionnaire below and the additional sheet to let us know your comments, and return to

Q1. How did you receive this report? (Please tick as appropriate)

I am on the external distribution list	<input type="checkbox"/>	From the Internet/Intranet	<input type="checkbox"/>
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Comments

Q2. What is your overall impression of the Report?

Interesting	<input type="checkbox"/>	Useful	<input type="checkbox"/>
Easy to understand	<input type="checkbox"/>	Unstructured	<input type="checkbox"/>

Comments

DEPARTMENT FOR EMPLOYMENT AND LEARNING
ANNEXES
for the year ended 31 March 2006

Q3. Were there any parts of the report you particularly disliked?

Wording	<input type="checkbox"/>	Layout	<input type="checkbox"/>
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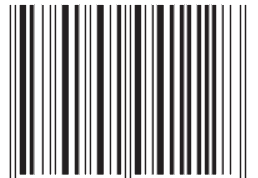
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